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THREE ESSAYS ON THE ENTERPRISE STRATEGY FOR MULTINATIONAL FIRMS

by

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ABSTRACT

THREE ESSAYS ON THE ENTERPRISE STRATEGY FOR MULTINATIONAL FIRMS

Veselina Plamenova Vracheva
Old Dominion University, 2014
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The enterprise strategy (ES) of the firm is the overarching organizational strategy which reflects the firm's degree of integration with society. It asks, "What do we stand for?" Very little is known about the ES; however, it is an important construct which can deepen our understanding of the stakeholder management process and the firm's long-term performance. Unlike much previous ES research, this three-essay dissertation examines both the nature of and the antecedents for ES in a cross-national setting.

The introductory essay offers a conceptual model describing the organizational identity orientation effects on the multinational enterprise's (MNE) ES. Additionally, it shows the interactive effects between the organizational identity orientation and the institutional identity orientation on the ES.

The second essay utilizes the two theoretically-suggested dimensions of the ES—*scope* and *type*—to develop an ES measure. A computer-aided text analysis of 439 stakeholder letters of multinational and US firms revealed the presence of ES language. A reliable and valid ES measure was then constructed. A subsequent analysis produced ES configurations which broadly align with the four ideal ES types of Meznar, Chrisman, and Carroll (1991)—Narrow Defensive, Narrow Offensive, Broad Defensive and Broad Offensive.

This research is extended in a third essay examining the impact of the diversity in the MNE's environment on the ES. Using a multi-level analysis, this study first explores the effects of the top management team's (TMT) and the board of directors' (BOD) gender diversity, the TMT functional diversity, and the BOD's stakeholder representation on the levels of the ES integration of 287 MNEs from 30 countries in 2011. The moderating

effects on the above relationships emerging from the political culture of an MNE's home country are also tested. According to the findings, gender diversity in the upper echelons positively influences the level of ES integration. This relationship is moderated by the political culture of the home country. The BOD stakeholder representation also positively influences the level of ES integration, but this relationship is not influenced by the MNE's home-country political culture. Finally, the relationship between the top management team functional diversity and the dependent variable is not significant.

AKNOWLEDGMENTS

Strategic management, the field of my training, promotes a view of managerial discretion—the opportunity managers have to decide freely—mostly vis-à-vis the constraints of a specific situation, a.k.a. "structuralist view" or "environmental determinism." Hence, the importance of understanding one's external circumstances within which (ironically) free will is exercised is commonly emphasized.

For a multitude of reasons (and despite my training) it is hard for me to isolate all the external limitations of my "freedom" to choose what to work on and, ultimately, how to complete this project that I had while choosing an acceptable research topic for my dissertation. Likewise, to try to qualify all the help that I have received is to diminish its value, especially in the cases when I was not fully aware of its link to this moment. Two striking examples include the help I have received from Sherry Fox, my dearest friend and copyright editor, and Leonard Haynes, another great friend and my beacon of light throughout the entire PhD experience.

While it is hard to see clearly when one is surrounded by so much fog, I know that my Committee members, Dr. Barbara Bartkus, Dr. Timothy Madden, and Dr. Ed Markowski, played a direct major role in the successful completion of this project. The foundation for my gratitude to them comprises not only their input and encouragement, but also the lack of ludicrous obstacles that, luckily, I did not have to surmount. Above all, I am grateful to my Committee chair, Dr. William Q. Judge. At the outset of this venture, he was courageous enough to have some faith in that, although this project seemed highly-risky, I do have what it takes to eventually reap the rewards. Graciously, he exhibited a sincere excitement about my (non)findings. I believe that it is due to the rare portion of relentless and instructive support he generously offered to me that I was able to keep plowing through, and, inadvertently, create an uncontested (and relatively unrestrained by the circumstances) research space for myself (and all others who think that strategic management boils down to much more than "creating and sustaining competitive advantages in order to grow and outperform rivals"). As far as the scientific research can be trusted, my blue ocean could quench my research thirst over the span of an entire career, even if I have to refine the salty water once in a while. One way or another, I am ready to (in the words of Steve Winwood) "roll with it!" Thank you!

ABBREVIATIONS

BOD	Board of directors
CG	Corporate governance
CME	Coordinated market economy
CSR	Corporate social responsibility
ES	Enterprise strategy
ESG	Environmental, social, and governance disclosure
GRI	Global Reporting Initiative
LME	Liberal market economy
MNE	Multinational enterprise
NGO	Non-government organization
OECD	Organization for Economic Cooperation and Development
SLME	State-led market economy
TMT	Top management team
VoC	Varieties of capitalism

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INTRODUCTION

Multinational enterprises (MNEs) function in complex environments (Kostova & Zaheer, 1995). They surmount such complexities through mechanisms by which the environmental prescriptions are filtered (Greenwood, Raynard, Kodeih, Micelotta, & Lounsbury, 2011) and by the means of a purposeful strategic response to the constraints established by the environment (Oliver, 1991).

In the area of stakeholder management, one suggested-by-the-literature, but hardly-examined response to stakeholder demands (Freeman, 2004) is an organization's *enterprise strategy* (ES). To be precise, the ES construct emerged at the dawn of the strategic management field as the overarching, above-corporate-level strategy of the firm, but, surprisingly, the research in this area remains dormant (Crilly, 2013). I view the ES, however, as a potent construct that offers a novel research ground on which we can tackle the firm-stakeholder relationship conundrum.

Early discussions on the ES can be found in the writings of Ansoff (1965), Schendel and Hofer (1979) and Hofer, and Murray, Charan, and Pitt (1980). The ES reflects the decisions and actions which seek the establishment of the firm's legitimacy and identity vis-à-vis an organization's stakeholders (Meznar, Chrisman, & Carroll, 1990; Freeman, 1984). Specifically, the ES is a declaration of what the firm stands for (Freeman, 1984) and how it integrates with its society as a whole (Hillman & Keim, 2001).

Traditional considerations of a firm's stakeholder relations focus on the corporate social responsibility (CSR) orientation of the firm. CSR studies, however, are primarily interested in how voluntary initiatives like corporate sustainability, philanthropy, and citizenship influence the firm's financial performance (Margolis, Elfenbein & Walsh, 2007). The vast body of CSR still does not fully flesh out what CSR is (de Bakker, Groenewegen, & den Hond, 2005).

Although the CSR plays an important role in bringing to the forefront the social issues in strategic management and is certainly one of the historical precedents of the ES, it is inherently problematic, because it advocates "a split between the profit-making piece of business and the profit-spending or socially-responsible part" (Freeman,1984:40). What is missing from the literature is a construct that integrates both the social and

financial concerns of the organization, suggesting that the ES can serve well in this regard.

The strategies of an organization are said to follow a particular hierarchical order (Hofer & Schendel, 1979). The ES is at the top of this order. Therefore, "as one moves from the enterprise strategy to corporate strategy to business strategy to functional strategy, one not only moves down the organizational hierarchy, one moves downward in terms of constraints" (Hofer & Schendel, 1979:13). Ultimately, this means that the ES sets the parameters within which lower-level strategies are formulated. As a result, understanding the nature and form of a firm's ES is of crucial importance to any investigation into the origins of all other strategies. Surprisingly, a recent review of the literature on the ES unraveled "a bleak picture of the field" (Crilly, 2013: 1428), but suggested that the ES research "is required as a cohesive body of work that connects with research in business and corporate strategy" (Crilly, 2013:1427).

Few attempts to empirically study aspects of the ES, however, have been made. For example, Judge and Krishnan (1994) assessed the ES scope (the range of satisfaction realized by the firm [Judge & Krishnan, 1994:169]), based on the textual analysis of the Corporate Strategy section in *Business Week*. Also, to gage the degree of cooperation with external stakeholders characterizing the ES, Meznar and Nigh (1995) analyzed the letters to shareholders in firms' annual reports. More recently, Crilly and Sloan (2012) investigated the top management team's "conceptualization of the firm's relationship with society," which they termed "enterprise logic" (p. 1174). Using annual reports, they constructed cognitive maps of executives' relationships with stakeholders and arrived at three types of enterprise logic.

Currently, it is not quite clear why the ES (which lies at the heart of strategic management) has disappeared from any contemporary discussion on and classification of strategy. One possible explanation is that the ES is "deceptively complex," because the existence of multiple conflicting stakeholder demands makes the maximization of value traditionally assumed in organizational research along a single stakeholder dimension impossible (Judge & Krishnan, 1994:168). Alternatively, the lack of ES studies can be explained with the inaccessibility for research purposes of the top-level decision-makers who formulate the ES (Judge & Krishnan, 1994:168). Most likely, however, it is the

normative nature of this concept that poses the biggest challenges to the ES research (Crilly, 2013). That is, the difficulty in characterizing the parameters of a common overarching ES may be due to discrepancies in the values of top managers who determine the ES (Meznar et al., 1991). It can also be based on variation in the ethical judgments of the ES scholar and the lack of distinction of the ES knowledge from research in other value-laden issues such as CSR and business ethics (Crilly, 2013). These can explain the paucity of research in the area of the ES. Specifically, my investigation of ES literature revealed that no attempt has been made so far to develop a valid and reliable comprehensive measure of this potent construct. Without such a measure, the research in the ES will remain stagnant.

In light of the above, in this dissertation I attempt to advance the ES construct by developing a reliable and valid measure of the ES and by exploring some of its antecedents. Specifically, in the first essay, I theorize about the organizational and institutional identity orientation effects on the ES, where the organizational identity orientation is one possible filter which helps shape the relationship between organizational identity and the organizational stakeholder relationship patterns (Brickson, 2007).

Within the existing literature, three viewpoints on the nature of a firm's identity orientation have been identified (Brickson, 2007) — some organizations view themselves as separate from others and, as a result, develop *individualistic* identity orientations; others view themselves as deeply connected to a narrow set of stakeholders and develop *relational* identity orientations; a third group of firms impersonally connected to a larger collective has *collectivistic* identity orientations. The organizational identity orientation affects a firm's external and internal social value creation and describes the nature of the stakeholder relationship patterns with respect to the level of trust and the types of ties, contracts, and HR practices concerning stakeholders such as customers, employees, and NGOs (Brickson, 2007).

The *institutional identity orientation* is a construct I introduce, applying the above logic to the institutional makeup of the MNEs' external environment. Overall, the first essay suggests a model of the direct ES outcomes of the organizational identity orientation and the moderating effects of the institutional identity orientation. The

research questions are: (1) How does the MNE's organizational identity orientation relate to the MNE's ES? and (2) What are the effects of the interaction between the organizational identity orientation developed in the home country and the institutional identity orientation offered by the host country on the MNE's ES?

In the second essay, I take the first serious look at the ES (since its inception in 1984) to develop and validate an empirical measure for it. This study is largely exploratory. Using a computer-aided content analysis of letters to stakeholders provided in the beginning of MNE reports supplied through the Global Reporting Initiative, I develop a dictionary comprising a set of words intended to measure the ES construct. Additionally, I test the ES typology developed by Meznar et al. (1991).

Previous conceptual work in the area of the ES has argued that there are two dimensions of ES: (1) *scope* and (2) *type*. ES scope represents "the environment to which a firm adds value" (Meznar et al., 1991:53). It is the set of stakeholders that the company selects as salient. The ES scope comprises a continuum varying from narrow (for a small set of stakeholders) to broad (for a vast set of stakeholders). ES type is traditionally conceptualized as "the types of value a firm adds" (Meznar et al., 1991:53). It portrays whether the firm tends to develop reactive or proactive relationships with its stakeholders. The ES type characterizes a continuum varying from defensive to offensive. Taken together, these two dimensions form four ideal types of ES: (1) Narrow Defensive, (2), Narrow Offensive (3), Broad Defensive, and (4) Broad Offensive.

When compared to purely domestic firms, MNEs deal with more intricate environments. One method they use to cope with complexity is the introduction of variety in the knowledge domains, perspectives, values, and ideas among the members of the top management team (TMT) and the board of directors (BOD), who comprise the firm's upper echelons. We know that in highly complex environments, corporate top decision-makers—i.e., TMT and BOD—often resolve problems using their existing knowledge structures instead of current information (Johnson, 1988; Walsh, 1995). The assumption, here is that cognitive diversity in the upper echelons of the MNE will bring about a handy supply of ideas, creative solutions, quality decision-making, and diverse information to help the firm effectively adjust to its multi-layered stakeholder environment.

At the same time, however, the institutional argument of a firm's stakeholder engagement posits that the executives' perceptions of stakeholder importance to a firm are partly influenced by the institutional embeddedness of that firm (Campbell, 2007; Matten & Moon, 2008). Even though many firms intensely globalize, they remain largely reliant on their local environment for competitive advantages and renewal (Rugman & Verbeke, 2004). Ultimately, the argument has been that MNEs remain entrenched in their home-country's institutional environments (Whitley, 2007). In summary, past research suggests that the upper echelons (reflecting the firm's internal environment) and the institutional embeddedness theory (portraying the firm's external environment) together can inform the ES of the MNE. However, a framework examining the effects of diversity in the firm's external and internal environments on the formation of the ES is missing.

I address this omission in the third essay of this dissertation by exploring the following research question: How does the national context and strategic leadership diversity influence the MNE's ES? I utilize a multilevel analytical technique in which I test the direct effects on the ES of the TMT gender diversity, the BOD gender diversity, the TMT functional diversity, and the BOD stakeholder representation. Because the MNEs in my sample were based in a multitude of countries, I also investigate the potential moderating effects on the above relationships emerging from the extent to which the political culture of an MNE's home country promotes diversity.

Several reasons can explain my focus on the investigation of the ES for MNEs as opposed to the ES for domestic firms. First, the discussion on the socially-responsible behavior of firms is rooted in the process of economic globalization. The stakeholder concern as portrayed in the CSR movement is largely considered a global phenomenon (Gjolbeg, 2009). Additionally, multinational organizations are highly-visible and vulnerable targets to external stakeholders. For example, in the period May 2001-November 2013, the OECD watch (an international network of civil society organizations from across the world promoting corporate accountability and responsibility) documented 186 alleged violation cases of MNEs' brought to justice in response to complaints by NGOs.[1] Due to such pressures, MNEs are more likely than domestic firms to approach their stakeholders strategically. Accordingly, larger MNEs are also more likely to be

[1] Source: http://oecdwatch.org/cases

responsive to social concerns than smaller, domestically-focused firms (Judge, Gaur, & Muller-Kahle, 2010).

Second, MNEs operate in "meta-environments" consisting of both home- and host-country institutions (Zaheer, 1995). In comparison to domestic firms, MNEs face a greater variety of stakeholders, including global media (such as the *Financial Times*), global activist groups (such as the Wildlife Conservation Society), and international organizations aimed at assessing firm accountability (such as the OECD watch). This can allow one to observe greater variations in the two dimensions of the ES—scope (the range of stakeholders the organization focuses on) and type (the kind of benefits the organization offers to its stakeholders).

Finally, many MNEs are wealthy corporations. For example, according to CorpWatch, a non-profit investigative research organization, in the late 90s, "51 of the 100 largest economies in the world are corporations....[and] the top 500 multinational corporations account for nearly 70% of the worldwide trade; this percentage has steadily increased over the past twenty years."[2] My personal investigation showed that, in 2012, although this number has slightly decreased, still 45 of the 100 largest economies in the world were Global 500 companies. Wal-Mart, one of the largest multinational enterprises currently present in 27 countries, is a case in point. Alone it has greater revenue than that of Target, Costco, JCPenney, Best Buy, Staples, Toys "R" Us, Food Lion, Nordstrom, Home Depot, and Office Max taken together. At present, only 35 of the 195 sovereign states in the word generate more in GDP than Wal-Mart does in revenue.

In relation to the above, there is a well-established positive association between the level of past financial performance and the level of stakeholder engagement; hence, the inclusion of past financial performance as a common control variable in stakeholder studies. Accordingly, due to their vast resource endowment, MNEs can be expected to be more capable and likely than domestic firms to engage in clearly-distinguishable strategic actions towards their stakeholders. Therefore, I believe that, as a point of departure, an investigation in the MNE context can generously inform the ES concept.

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[2] Source: http://www.gatt.org/trastat_e.html

ESSAY 1: ORGANIZATIONAL AND INSTITUTIONAL IDENTITY ORIENTATION EXPLANATIONS OF THE ENTERPRISE STRATEGY OF THE MULTINATIONAL FIRM

INTRODUCTION

The emergence of "institutional organizationalism" (Kraaz & Block, 2008) as an alternative to "organizational institutionalism," reflects a growing acceptance of the idea that organizations do not always passively adopt the prescriptions of their institutional environment. Significant contributions in that shift have been offered by studies investigating the behavior of organizations in institutionally-intricate environments in which the neo-institutional lens has become somewhat inadequate (Pache & Santos, 2010).

Under conditions of institutional complexity, organizations seem to be able to "filter" institutional prescriptions before they act upon them (Greenwood, Raynard, Kodeih, Micelotta, & Lounsbury, 2011) as well as to render a strategic response to the institutional demands of their environment (Oliver, 1991). In the area of stakeholder management, one rarely-examined response to stakeholder demands (Freeman, 2004) is an organization's enterprise strategy (ES). The ES is a concept discussed in Schendel and Hofer (1979) and Hofer, Murray, Charan, and Pitt (1980) and was originally intended to shed some light on those actions of an organization which seek the establishment of its *legitimacy* and *identity* vis-à-vis its organizational stakeholders (Meznar, Chrisman, & Carroll, 1990; Freeman, 1984).

The *organizational identity orientation* is one possible filter which helps shape the relationship between organizational identity and the organizational stakeholder relationship patterns based on an organization's motivational assumptions (Brickson, 2007). So far, three viewpoints on the nature of a firm's identity orientation have been expressed (Brickson, 2007). Some organizations view themselves as separate from others and, as a result, develop *individualistic* identity orientations; others view themselves as deeply connected to a narrow set of stakeholders and develop *relational* identity orientations; a third group of firms impersonally connected to a larger collective has *collectivistic* identity orientations. The study of organizational identity orientation

emphasizes the effect of the organizational identity orientation on a firm's external and internal social value creation. Specifically, it describes the nature of the stakeholder relationship patterns with respect to the level of trust and the types of ties, contracts, and HR practices concerning various stakeholders, including customers, employees, and NGOs (Brickson, 2007).

It has also been suggested that an organization's identity is constructed in the process of the perpetual negotiation of cognitive images between the organization's top management and its stakeholders (Scott & Lane, 2000). At present, no organizational identity model suggests a multi-level examination of the role that identity orientation plays in the strategic choices concerning stakeholders of organizations which face institutional complexities. In the present paper, I attempt to address this omission in the context of multinational enterprises.

The case of a multinational enterprise (MNE)—a form of organization characterizing the development of value-added operations in at least two countries (Rugman & Collinson, 2006)—presents persistent challenges to the research of organizational legitimacy and organizational identity, because such organizations are said to shy away from negotiating a collective legitimacy (Korsova & Zaheer, 1999; Kostova, Roth, & Dacin, 2008). They also face organizational identity challenges due to the influences of multiple institutional environments (Gustafson & Reger, 1999; Kraaz & Block, 2008). These characteristics of MNEs present the opportunity for a particularly interesting investigation into the firm's stakeholder dynamics as they are outlined in the ES.

I was prompted to theorize about potential effects of the organizational identity orientation and institutional complexity on the ES of MNEs for a number of reasons. First, broadly stated, the ES portrays how the firm *legitimizes* its existence and ensures its future by trying to create something of value to its stakeholders (Meznar et al., 1991). Furthermore (on behalf of the organization) the ES should address the question of "*what do we stand for?*" (Freeman, 1984). These features of the ES suggest two primary areas of inquiry. The first one concerns legitimacy. If the ES is about the broader *legitimacy* consideration (Schendel & Hofer, 1979:12), one should look for institutional explanations of ES characteristics, because the institutions in which the firm is embedded constrain some organizational decisions (Kostove, 1997) and stimulate others (Hall & Soskice,

2002). That is "the organization must first be able to answer March's troublesome question of 'who are we?' before the appropriate institutional rules and scripts can be activated" (Kraaz & Block, 2008:10).

The second area of enquiry concerns the organizational identity or a similar construct (Brickson, 2007). If the ES asks "*what do we stand for?,*" it must have some association with a firm's identity, which determines what makes an organization distinctive from other organizations (Albert & Whetten, 1985). More specifically, I see a viable connection of the ES with the organizational identity orientation (Brickson, 2000), because this orientation "is defined by a profoundly different perspective of reality, derived from deeply-rooted and commonly-held underlying assumptions about the nature of independence and interdependence between entities" (Brickson, 2007:869). Therefore, it should influence an organization's strategic posture concerning stakeholders.

Second, I focus on the ES of MNEs, because institutional complexities haunt such firms' choices of practices and strategies. Because MNEs 1) develop unique ways of pursuing legitimacy (Korsova & Zaheer, 1999; Kostova & Roth, 2002) and 2) face multiple identity options (Gustafson & Reger, 1999; Kraaz & Block, 2008), novel theoretical wisdom concerning the development (vis-à-vis stakeholders) of both identity and legitimacy can be produced. Thus, despite an incomplete understanding of how identity affects and is affected by a variety of institutional pressures, "connecting institutional complexity and identity studies should be a high priority (Greenwood et al. 2011:348)," and the development of a theory of the interaction between institutional and organizational identity is warranted.

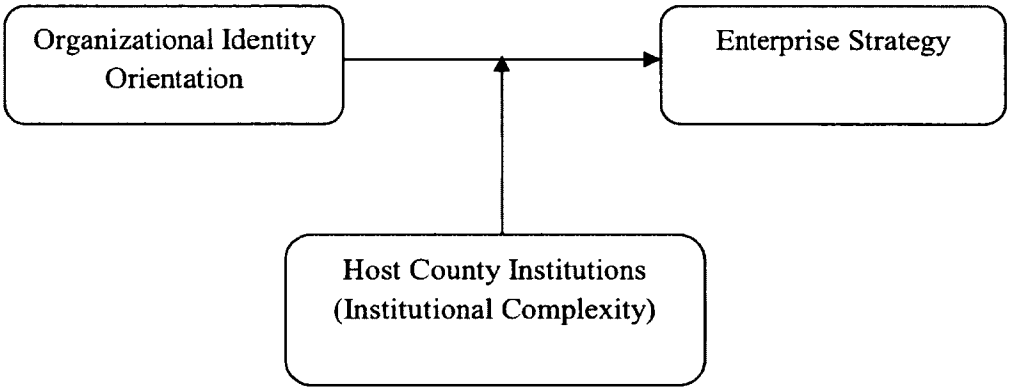
Finally, the ES construct is as old as the strategic management field, but the research in this area remains stagnant (Crilly, 2013). In the late 70s, the stakeholder narrative incorporated an "increasing interrelationship of governmental units and business enterprises over questions of legitimacy, which is forcing firms to reexamine their role in society and to consider whether they can be insular in their decisions" (Schendel & Hofer, 1979:12). Today, the legitimacy of the enterprise is scrutinized by an uncontrollable environment which incorporates a broad set of stakeholders of which the government is a part. As a result, I see the ES, which is primarily concerned with the overall role of business in society, as a potent construct that offers a novel research

ground on which the firm-stakeholder relationship conundrum can be resolved. I hope that the ideas expressed here acceptably sustain that view.

To summarize, in this essay, I develop a conceptual model examining the direct relationship between the organizational identity orientation of the MNE and its ES. Additionally, I incorporate the effects of the host country institutional environment as a moderator between the organizational identity orientation of the MNE and its ES. The general conceptual framework of this study is presented in Figure 1. Through this conceptual framework I seek to address the following two research questions:

1) How does the MNE's organizational identity orientation relate to the MNE's ES?
2) How does the interaction between the organizational identity orientation developed in the home country and the institutional identity orientation offered by the host country in which the MNE operates influence the MNE's ES?

Figure 1. The General Conceptual Framework of This Study



The Nature of the Enterprise Strategy

The economics literature argues that the primary goal of the firm is profit-maximization (Jensen, 2001, 2002). More recently, however, the growing demands on businesses to engage in peripheral activities for poverty alleviation and pollution prevention present some serious challenges to this view (Wall & Greiling, 2011). Emphasizing the importance of the social impact of firms, however, is not a new

phenomenon. For example, it has been suggested that organizational survival coupled with the moral commitment to a variety of stakeholders should drive the choices of firms' strategies (Berman, Wicks, Kotha, & Jones, 1999). When organizations understand where the interests of a multitude of stakeholders converge and decide on their goals and strategies accordingly, they can secure long-run survival and prosperity (Freeman, Harrison, Wicks, Parmar, & Colle, 2010; Freeman, 2009).

This view builds on the concept of the enterprise strategy (ES) introduced by Ansoff (1965) who envisioned all the aspects of a firm's strategy (e.g., the product-market, technology, growth, society, and legitimacy) as components of the ES. Schendel and Hofer (1979), however, compressed this definition to concern the "social-legitimacy aspects" of the firm's strategy, because all the other aspects are already addressed by other levels of strategy (p. 12).

Firms generate both economic and social costs, and they should not be perceived as uni-dimensional economic actors predominantly focused on generating economic profits (Meznar et al., 1991). When the firm is considered as a socio-economic entity, the focus shifts away from the financial profits to the generation of "net value added" to society. The "net value added" is "the difference between the total benefits (i.e., economic revenue plus social good) and total costs (i.e., economic costs plus social costs)" (Meznar et al., 1991:50) generated by the firm. The generation of social good addresses issues such as the organization's contribution to the provision of clean air and water, literacy, access to healthcare and public safety. The minimization of social costs refers to the organization's contribution to the reduction of losses in areas of social life such as the above-described. Those costs and good often characterize a firm's pro bono activities. In contrast, the generation of economic good and cost involves monetary rewards and takings.[3] Thus, to assess the long-term survival and legitimacy of the firm, a focus on the combined social and economic performance of the firm is required. Accordingly, the ES perspective views the firm as both an economic and a social entity, emphasizing that the

[3]Meznar et al. (1990) specified that "it is unfortunate that clear definitions and measurements of 'social goods' and 'social costs' have not yet been reached despite progress in welfare economics and social accounting." I believe that an adequate progress in these areas, such that will allow us to be clearer and specific on what constitutes social cost and good, has not been reached yet, but that such deficiency does not preclude the need for the present analysis.

financial and social prosperity of the firm should not be isolated from its quest for legitimacy.

The ES comprises two elements—scope and type (Meznar et al., 1991:56). The scope reflects the range of financial and non-financial entities the firm interacts with, whereas the type mirrors the benefits provided by the firm to its stakeholders—economic (such as, corporate philanthropy), social (related to higher social good such as endorsing selected causes), lower social costs (typically, in response to dissatisfied stakeholders), and a combination of those (Meznar et al., 1991).

The intersection of these two elements results in an specific category of ES. For example, when firms are focused on reducing the social costs of a limited set of stakeholders, they are said to have a *Defensive Narrow* ES. Firms striving to lower the social costs of a broad set of stakeholders have a *Defensive Broad* ES. Firms concerned about the creation of some social good for a narrow stakeholder segment have an *Offensive Narrow* ES, and firms who allocate their social good among a large set of stakeholders have an *Offensive Broad* ES (Meznar et al., 1991).[4] Table 1 illustrates some basic characteristics of the four ES categories discussed here.

How does the enterprise strategy compare to corporate social responsibility?

Conceptually, the ES is linked to the construct of corporate social responsibility (CSR); however, the ES is broader and more flexible. First, although CSR "has blossomed as an idea," (The Economist, 2005), it is still not quite clear what CSR is (de Bakker, Groenewegen, & den Hond, 2005). Further, some have argued that CSR has a limited application in the context of MNEs and their stakeholders. This is the case particularly when the behavior of MNEs characterizes activities which go beyond mere compliance with societal expectations (Scherer & Palazzo, 2011). Many MNEs engage in self-regulated, socially-responsible behaviors in regions with regulatory voids (Marcus & Fremeth, 2009), suggesting that we cannot completely measure responsible behavior

[4]The original classification contains two other ES types—*Accommodative Narrow* and *Accommodative Broad*. Firms characterizing the former ES care for the opinion of particular stakeholder groups and aggressively seek to avoid alienating those stakeholders. Firms characterizing the latter ES perceive themselves as "answerable-to-society-at-large" with respect to their operations. For the full definition of those, refer to Meznar, Christman, & Caroll (1990:336).

using regulation as a yardstick.[5] Furthermore, the findings on how CSR affects the firm's financial performance are far from unequivocal (Margolis & Walsh, 2003), which may be indicating some inadequacies of the CSR conceptual model (Meznar et al. 1991). Coupled with that, a growing number of articles in the last few years point to various CSR limitations (Campbell, 2007; Matten & Moon, 2008; Sherrer & Palazzo, 2011). The fact that too often researchers have tried to rectify those limitations by inventing more CSR-like terms (i.e., corporate citizenship, sustainable development, corporate philanthropy, and corporate sustainability) may indicate the early signs of a "paradigm shift" (Kuhn, 1970). One of the key characteristics of such a shift is the emergence of a new paradigm, which provides hope that a better move forward is possible (Kuhn, 1979:158). I suggest that the ES concept is a source of such hope, because it is a broader framework, which encompasses the idea of CSR (in order to manifest what the MNEs actions are) while also suggesting what the MNE identity is (Freeman, 1984) and how it affects those actions. In relation to that, Freeman (1984) argued that:

> The enterprise-level strategy does not necessitate a particular set of values, nor does it require that a corporation be 'socially responsive' in a certain way. It does examine the need, however, for an explicit and intentional attempt to answer the question *what do we stand for.* (p. 91)

Although I do not believe that the CSR is the most appropriate level of analysis when it comes to a firm's relations to its stakeholders as a whole (especially in the case of MNEs with a multitude of subsidiaries in various countries), I do not mean that CSR should be discarded. Instead, I simply argue that the ES subsumes CSR. Essentially, CSR practices are subject to the chosen ES. This may be the reason why, at its current level of application, CSR produces no stable results in the comparison of CSR firm-level outcomes (Margolis & Walsh, 2003; Margolis, Elfenbein, & Walch, 2007). Potentially, CSR is domain- or field-specific and should be examined at the level of particular practices and components of a firm. This can explain why at a higher level of aggregation (e.g., the firm as a whole) it has been difficult to identify the legitimate CSR practices. For example, CSR may be a useful framework for examining the explicit actions of

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[5] The most widely-accepted definition of CSR is that of McWilliams and Siegel (2001) who defined it as "actions that appear to further some social good, beyond the interests of the firm and that which is required by law" (p. 117)

Table 1. Basic Characteristics of the Enterprise Strategy

ES type	ES scope	Financial and Social Preferences	Example
Defensive	Narrow	Strong financial orientation. Passive towards stakeholders unless critical. Exclusive focus on financiers. Could involve actions that are immoral/illegal.	Such firms are often responsive to stakeholders after they express dissatisfaction (Example: McDonald's, BP)
Offensive	Narrow	Seek balance between financial goals and satisfaction of (collaboration with) few specific stakeholders. Focused on one or two stakeholder groups. If customer service and/employee satisfaction are the primary values of the organization, those will be evident in everything the firm does.	These firms are interested in creating real social value, but for a limited stakeholders. May support certain causes or charities in the span of many years (Example: Dell, IBM, HP)
Defensive	Broad	Financial motivation with general acceptance by the public. No priority given to any stakeholder, but caution in social spread so that financial performance is not hurt.	Have financial and social tresholds. These firms will be generally highly visible. Typically concerned with stakeholder appeasement, rather than real concern for stakeholders (Example: Exxon, Wal-Mart, AT&T)
Offensive	Broad	Cannot achieve financial prosperity without social prosperity	Exist to create social value. Firmly believe that this is the only way to financial prosperity. (Example: Patagonia)

MNEs (and various other firms) towards their stakeholders operating in market-driven societies (Gond et al., 2011). However, CSR inadequately explains the more implicit stakeholder actions (Matten & Moon, 2008) in MNEs and other firms from less market-driven settings. On the contrary, the ES addresses the scope and depth of a firm's relationship with its stakeholders, irrespective of whether those are implicit or explicit. Furthermore, because the ES reflects aspects of the organizational identity, it discounts window-dressing CSR practices and accounts for the genuine CSR intentions of the firm, the distinction of which has been a major challenge in the CSR literature. The differences between the ES and CSR are summarized in Table 2.

SIMPLIFYING ASSUMPTIONS

Since our knowledge of the relationship between the organizational identity orientation, national governance system, and the ES of MNEs is rather incomplete, in order to reason about it, I establish a number of simplifying assumptions. First, I conceptualize the MNE as a relational entity connected to a plethora of stakeholders, including shareholders, employees, suppliers, customers, trade associations, unions, and the like. Further, Whitley (2007) showed that most MNEs develop distinctive characteristics as a result of operating in foreign national contexts mostly when there are high levels of commitment to the parent company by foreign employees. Consequently, I also assume that the MNEs have value-adding operations in 2 countries only (one host and one home country) and exhibit substantial commitment regarding their FDI (where FDI is defined as "an investment involving a long-term relationship and reflecting a lasting interest and control by a resident entity in one economy in an enterprise resident in an economy other than that of the foreign direct investor [UNSTAD: 2007:293] in the host country).

I consider the host country to be the country where the first major subsidiary was established. The theoretical grounding of this assumption is based on 1) the notion suggested by Baron (2004) that "authentic" (i.e. real and core) identities are most likely to be adopted early in the history of an enterprise, indicating that the influence of the first encounter with a different foreign environment will be the strongest in the shaping of the organizational identity orientation and 2) insights from the theory of socialization according to which "the schemas that individuals internalize during their early formative

Table 2. Key Conceptual Differences between Corporate Social Responsibility and Enterprise Strategy

Criteria	Corporate Social Responsibility	Enterprise Strategy
Defined	Via the firm's actions (Freeman & McVea, 2001)	Via the firm's identity (Freeman, 1984)
Reach	Narrow (Kang & Moon, 2012)	Broad (Meznar et al. 1991)
Status	Voluntary (Gond et al. 2012)	Non-voluntary (every firm has some form of an ES*)
Transparency	Explicit *or* implicit (Matten & Moon, 2008; Gjolbers, 2010)	Explicit *and* implicit (by definition)
Strategic level	Following the corporate strategy (Schendel &Hofer, 1979)	Preceeding the corporate strategy (Hofer & Schendel, 1978)
Relation to CG	Influenced by corporate governance (Kang & Moon, 2012)	Shapes governance decisions (Hofer & Schendel, 1978)
Origin	Governance (Jamali, Safieddine, & Rabbath, 2008)	Stakeholder management (Freeman & Gilbert, 1988)
Stakeholders	Typcally external (Kang & Moon, 2012) (e.g., NGOs* and consumers)	Internal (e.g., owners, managers, employees) concerned and external (Freeman, 1984)
Reflects	The social aspects of the firm (Meznar et al., 1991)	The socio-economic aspect of the firm (Meznaret. al., 1990)

* CSR: corporate social responsibility; ES: Enterprise strategy; NGO: non-government group; CG: corporate governance

stages of development greatly influence the way that they will later construct reality" (Calori, Lubatkin, Very, & Veiga, 1997). Although the latter argument is discussed at the individual level of analysis, I see an appropriate application at the organizational level—evident from the work of others who utilize literature developed at the individual-level to build their discussion on the organizational level. For example Albert and Whetten (1985) used this approach to introduce the construct of organizational identity, and Brickson (2000), to suggest that of the organizational identity orientation.

Similar to Brickson (2007), I assume that the identity orientations are pure and there is only one identity orientation that the MNE has. I also present my theory accepting that the economies of both the host and home countries are fully integrated. This means that the institutional complementarities characterizing each governance system operate equally across the entire country. Finally, because the ES reflects the strategic decision of a firm's top management regarding the role of the organization in society (Freeman & Gilbert, 1988), the organizational identity orientation I refer to in this paper presents how the firm's top managers in particular view the organization vis-à-vis its stakeholders.

THEORY AND PROPOSITIONS

Organizational Identity Orientation and the ES of MNEs

Organizational identity reflects the organizational members' perceptions and beliefs regarding the question "Who are we as an organization?" (Whetten, 2006:220). As such, it addresses those members' view of the central, distinctive, and enduring qualities of the organization (Albert & Whetten, 1985) and guides organizational action. According to the organizational identity research, even if the assumptions of the institutional environment are taken-for-granted, they can drive action only if screened out by the identities invoked or held by the organization (Heimer, 1999).

Brickson (2000) suggested that if one wants to understand how an organization's identity influences the organization's relationship with stakeholders, one needs to focus on the construct of identity orientation. She argued that organizational identity orientations establish a set of motivational assumptions and role perceptions characterizing the relationship of the firm with others and therefore, address the question of "Who are we as an organization vis-à-vis our stakeholders?" (Brickson, 2007:866). In

the following discussion, I outline each of the three types of identity orientation and make propositions regarding how the identity orientation relates to the ES scope and type.

If the organization perceives itself as an atomized entity, it is said to have an *individualistic identity orientation* (Brickson, 2000). Individualism is "the tendency to treat oneself as the most meaningful unit" (Robert & Wasti, 2002: 545). Individualism in decision-making entails choosing in accord with one's best interest. As a result, organizations that define themselves as separate from others are primarily motivated by self-interest and strive to maximize the benefit they can extract from their stakeholders (Brickson, 2007). For example, such organizations may establish a performance-based reward system, which puts employees in direct competition with each other. This system takes advantage of individuals' selfish inclinations to motivate workers, with the ultimate goal of improving organizational performance. Although competition among employees can breed innovative solutions, it could also spur unethical behavior towards stakeholders that are external to the organization, evident from the multitude of Wall Street scandals in the 1980s. In support of that view, Brickson (2000) found that the identity orientation of the organization towards its external stakeholders is similar to that of its internal stakeholders and is defined by the overall organizational costs. For example, the one-stop-shop emporia characterizing internal focus on cost reduction frequently place suppliers into direct competition by forcing them to bid for a lower price against each other.

Identity orientation is largely a socially-constructed phenomenon, as it outlines how the organization views itself (Brickson, 2000). Self-conception is known to affect motivation and interaction patterns with others (Brickson, 2007). The interaction patterns of executives in an organization are particularly important in the formation of the organizational identity orientation, because those patterns reflect the stable knowledge structures which govern the overall organizational strategic choices (Ocasio, 1997). On a related note, "although many strategic decisions can be adequately explained using standard economic models, some appear to be intentional expressions of the organization's distinctive character" contained in the organizational identity (Whetten, 2006:229).

Therefore, executives' view of their organization as a separate entity from others represents a conscious understanding, which can influence the deliberate strategic choices affecting stakeholders.

Overall, organizations which distinguish themselves from others are likely to thrive under conditions of intense competition. Additionally, the pursuit of aggressive money-making, market share and recognition are typical goals of an organization with an individualistic orientation (Brickson, 2007). Accordingly, in the face of stakeholder pressures, firms must be particularly strategic about the allocation of their resources to parallel the self-interest goals. Freeman (1984) described such firms as bragging about "increase in quarterly dividend above all else" (p. 104), being exclusively focused on short-term performance, and running the business as if the firm were an investment company. In relation to that, I suggest that organizations with a strong focus on profits will tend to consistently abstain from aggressive investments in non-financial stakeholder projects with no visible financial returns and, therefore, will prefer a Defensive ES type. Likewise, such organizations at worst will exhibit an explicit and exclusive dedication to their financiers and at best will interact with few non-financial stakeholders and, therefore, are likely to adopt a Narrow ES scope. Thus,

> **Proposition 1a:** Ceteris paribus, an MNE characterizing an individualistic organizational identity orientation is likely to have a Narrow Defensive ES.

Organizations with relational identity orientation differ from individualistic organizations in that they see themselves as connecting "dyadically" with a narrow set of particular others (Brickson, 2000). Consequently, the actions of such organizations reflect the point at which the interests of a narrow set of stakeholders and those of the organization conflate. The development of meaningful relationships with such stakeholders, then, becomes a focal point of reference in decision-making. For example, organizations with a relational identity orientation may focus on their customers and employees and develop initiatives for the provision of excellent "Customer Service" and "Employee Satisfaction." Computer businesses are particularly aligned with their customers and employees (Freeman, 1984) through the provision of strong customer care and high employment satisfaction. This is consistent with Brickson (2007), who describes such organizations as follows:

> Here [in such organizations] the point of reference for organizational evaluation is how their actual role performance compares to some role standard, provided by the organizations themselves and/or by a given stakeholder. (Is the organization doing enough to care for each employee and customer, and so on?) (p.868)

Brickson (2007) argued that the perception of care for the narrow set of stakeholders will translate into a tangible sense that the organization is truthful about helping and understanding its customers and employees. On the 2012 Customer Service Hall of Fame, Karen Aho (2012) of MSN Money commented that good service starts at the top of the organization and that firms that make it to the top of the list have executives who make it their mission to serve the customer. Those executives are not afraid to spend money on the development of "sterling" customer service and hire experts to help re-structure the corporation accordingly. Interestingly, she also suggested that companies that excel at customer service are often also known for providing relatively good pay and benefits, trusting their employees to make decisions, supporting those decisions and also being on the Best Companies to Work for list. Google is a point in case. In 2012, this company was second to Amazon.com on the Customer Service Hall of Fame Survey[6] and first on the Best Companies to Work for Survey. [7] According to the company's website, at Google, people are the most important aspect of the business both on the hiring side (i.e. employees) and on the serving side (i.e. customers). In relation to that, I suggest that firms with a relational identity orientation seek balance between financial goals and satisfaction of a few specific stakeholders. Also, they will adopt an ES that match such orientation. Therefore,

> **Proposition 1b:** Ceteris paribus, an MNE characterizing a relational organizational identity orientation is likely to have a Narrow Offensive ES.

Finally, firms with a collectivistic identity orientation view themselves as connected to a multitude of others in an impersonal way (Brickson, 2000). The actions of such organizations may be motivated by fostering a sense of community which, however, may be very abstract. Those firms may strive to improve the quality of life at the generic level of society as a whole. Such organizations adopt a utilitarian approach of producing "the

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[6]Source: http://money.cnn.com/magazines/fortune/best-companies/2012/full_list/
[7]Source: http://money.msn.com/investing/the-complete-company-rankings-2012.aspx

greatest good for the greatest number of people in society" (Freeman, 1984:104). They do not pursue dyadic long-lasting relationships with particular constituencies. Rather, they may support a generic cause, which is presented as improving the common good. Therefore, such organizations will seek to identify commonalities among stakeholders as opposed to unique features that they may wish to serve (as in the case of organizations with relational identity orientation). For example, Wal-Mart has an exclusive focus on costs-savings for its customers. Its slogan—"Save money. Live better"—communicates this organization's interest in a generic, non-personalized relationship with its stakeholders. This is further confirmed by Wal-Mart's initiatives—a growing number of self-service terminals offered in-store, the establishment of Wal-Mart supercenters, and the fact that the company is known for the lack of loyalty towards its suppliers. At the same time, Wal-Mart promotes its corporate giving. In 2011, it made international contributions to the value of around $1 billion. Even in that contribution, however, Wal-Mart is rather nonspecific and impersonal—its mission is "to create opportunities so people can live better."[8] In light of the above, I suggest that organizations with such an identity orientation, similar to Wal-Mart, will focus on a fairly broad set of stakeholders to serve. Consequently, the focus will be mainly on cost minimization, which is uniform across stakeholders and much easier to communicate than the creation of specific benefits for a wide set of stakeholders. Thus,

> **Proposition 1c:** Ceteris paribus, an MNE characterizing a collectivistic organizational identity orientation is likely to have a Broad Defensive ES.

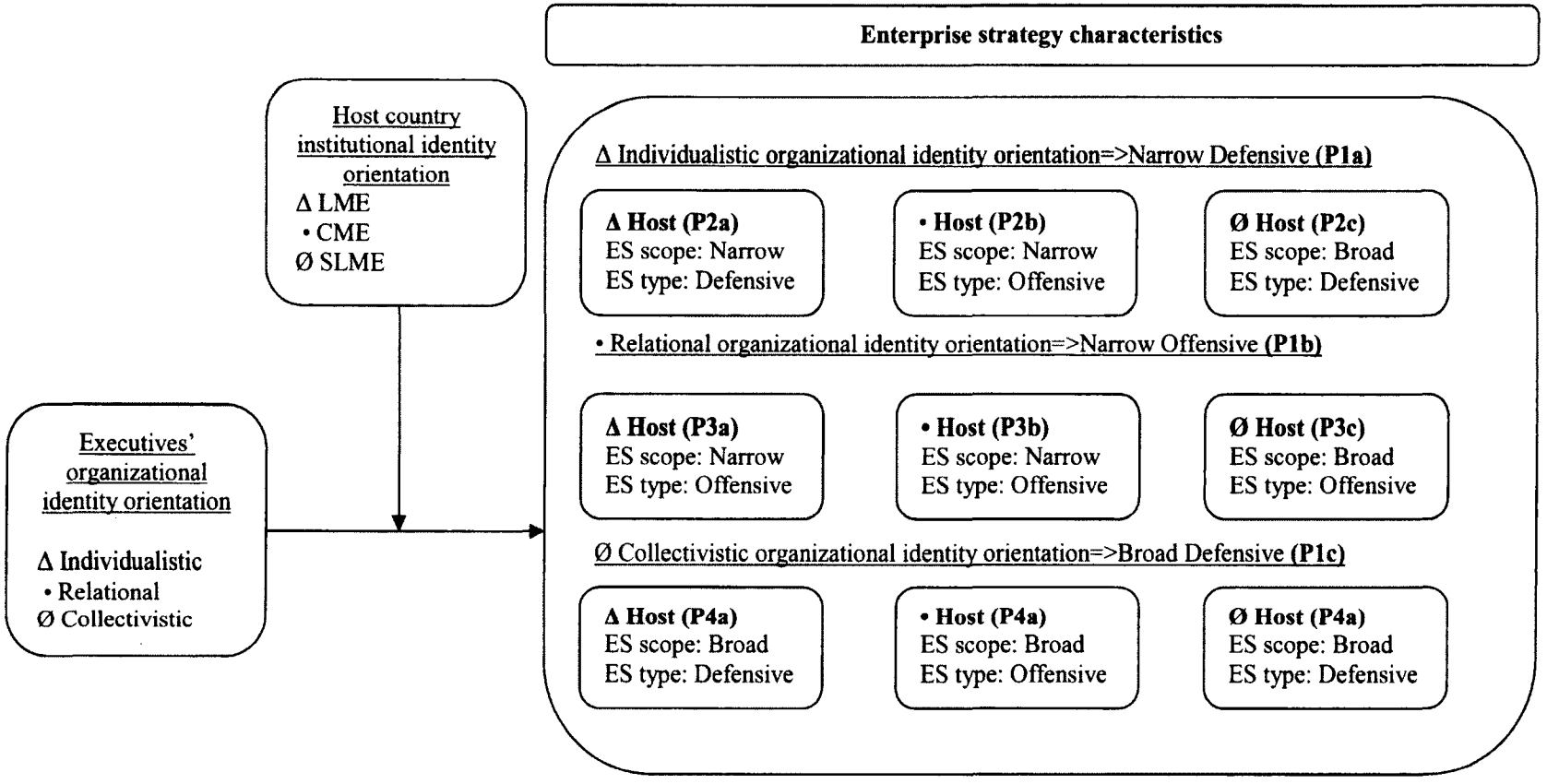
Figure 2 summarizes the proposed relationships between types of identity orientations and the ES of the MNE.

Institutional Identity Orientation and the ES of MNEs

The firm level is not the only level at which the effects of identity have been discussed. Some scholars have suggested that there is an identity that a given organization shares with a collective of entities, which belong to a given social category (Glynn, 2008; Kraatz & Block, 2008; Wry, Lounsbury, & Glynn, 2011). These have been termed *institutional identities*. According to Rao, Davis, and Ward (2000), such identities

[8]Source: http://foundation.walmart.com/

Figure 2. A Model of the Organizational and Institutional Identity Orientation Antecedents of the Enterprise Strategy in Multinational Enterprises



can come "from the industry to which they [organizations] belong, the organizational form they use, and through membership in accrediting bodies" (p. 207).

Although taken-for-granted beliefs and assumptions affect the organizational decisions and actions, they inadequately explain those decisions and actions (Kraatz & Block, 2008). This idea recognizes the limits of organizational uniqueness which are set by the institutional landscape in which the firm functions. This is consistent with the suggestion that "organizations should be as different as legitimately possible" (Deephouse, 1999:147).

In a similar fashion, Greenwood et al. (2011) distinguish between organizational level and institutional levels of identities, suggesting that the latter are particularly important "as they shape an organization's discretion when faced with complexity" (p.347). Operating in complex environments is a distinctive characteristic of the MNE; therefore, institutional-level identity is an appropriate lens through which to examine the strategic responses of the organization to its multiple environments of existence.

In accord to the logic of organizational identity orientation discussed above, I suggest that the effects of the institutional identity on the organization's relationship with its stakeholders can be construed as what I term *institutional identity orientation*—the identity orientation suggested by the institutional environment of the organization. Because MNEs characterize the influence of multiple institutional influences (Kostova & Zaheer, 1999), I examine complexities arising as a result from the interaction effects of the organizational identity orientation developed in the home country and the institutional identity orientation suggested by the MNE's host countries on the ES.

Before I explain the total expected ES outcomes of identity orientations, however, I will take a look at the individual institutional identity orientations of countries that I propose. To define the national institutional identities, I adopt the varieties of capitalism (VoC) approach suggested by Hall and Soskice (2001) and later expanded by others (e.g., Amable, 2003; Whitley, 2007). More specifically, I focus on three types of VoC governance systems—liberal market economies (LMEs), coordinated market economies (CMEs), and state-led market economies (SLMEs).

The VoC approach examines how the major institutions of a given governance system—such as the degree of market coordination, the strength of industrial relations,

the market for corporate governances, and the strength of the inter-firm relations—complement each other. It shows how changes in one institution affect changes in other institutions (Amable, 2003) and compares that complementarity with the institutional set-up in other countries. In the present discussion, I include an institutional dimension not suggested in the original work on VoC (Hall & Soskice, 2001)—the national CSR orientation. I do that to incorporate findings from a growing body of literature (e.g. Kang & Moon, 2012; Gond et al., 2011; Gjølberg, 2010) which expand the original VoC knowledge; hence, in light of the present study, this dimension was considered relevant. The complementarity characteristics along the five VoC institutions of market coordination, industrial relations, corporate governance, inter-firm relations, and national CSR orientation characterizing each of the three governance systems are detailed below. This information is summarized in Table 3.

Liberal Market Economies and Individualistic Institutional Identity Orientation

Hall and Soskice (2001) demonstrated that the institutional complementarity in LMEs relies on market coordination. The LME industrial relations defined by the labor policy and wage bargaining characterize fluid labor markets, which discourage long-term employment and facilitate the development of general and transferable-across-firms skills for a number of reasons (Thelen & Kume, 2006). First, when employers and workers invest in training, the market decides on the distribution of the gains (Schneider, 2008).Thus, employers disregard the development of firm-specific skills in their employees, as they can easily shift to a competitor. Such a fluid labor market weakens the trade unions' ability to represent employees and promotes weak relationships with employees. Hence, unions are feeble and employment protection is low (Hollingsworth & Boyer, 1997). Such industrial relationships, however, allow a quick response to the competitive pressure characterizing LMEs and a strong focus on fast financial gains. Because LMEs emphasize current earnings and share prices, the access to finance is mainly reliant on the firm's valuation in the stock market. Consequently, the financial markets in such systems are highly sophisticated, and the access to finance is pegged to publicly-available financial data and current earnings; therefore, the market for corporate governance cannot rely on access to insider information about the progress of the firm (Amable, 2003). As LMEs focus on short-term earnings, reputation building in inter-firm

Table 3. Institutional Complementarity in the National Governance Systems and Types of Institutional Identity Orientation

Governance type	Institutional Complementarity*	Institutional Identity Orientation
LME[1]	* High competitive market pressures forces firms to quickly react to financial markets * Thus, decentralized labor markets are needed to make quick, inexpensive structural changes * This explains the short-term profit-orientation, which * Prevents from the establishment of a strong employment protection * Due to low unemployment risks, there is little need for social protection; however * The development of general (and not specialized) skills is promoted * Due to focus on short-term profitability, investments in CSR are pegged to impact on profits, hence * The government is not highly involved in CSR * CSR is complements corporate governance	**Individualistic** (the firm as different from others)
CME[2]	* Moderate competitive pressure facilitates a stable bank-industry relationship, hence * High degree of employment protection, which prevents firms from fast structural changes * In turn, employment protection discourages a short-term-profit orientation, therefore * Long-term strategies are promoted * Employment protection incentivizes the investment in specific skills * It also permits a moderately high degree of social protection * The State caters to the needs of society; as a result * Private CSR beyond that mandated by the government is not required * Highly-specialize employee training and better quality of products for customers are offered *CSR complements corporate governance	**Relational** (the firm as deeply connected with a few others)
SLME[3]	* Competitive pressures combining the features of LMEs and CMEs * State remains fairly involved in certain social aspects of life, however * Tripatrism (a social dialogue between governments, labor, and business) * Such a forum allows for the institutionalization of conflict as labor relations are in transition * This ensures the preservation of social peace under the circumstances of the economic depression * The primary source of investment is foreign direct investment, because of * The small and underdeveloped markets for corporate governance and small bank-based system * However, due to poor institutional environment, self-reorganization is prevalent * This explains the strongly hierarchical structures of organization in inter-firm relations; thus * CSR initiatives are sporadic and in accord to the State agenda; because of that * Firms engage in CSR mainly in partnership with the government * CSR complements corporate governance	**Collectivistic** (the firm as impersonally related with the broader society)

* Based on the work of Hall & Soskice (2001); Hollingsworth & Boyer (1997), Amable (2003), Boyer (2005); and Whitley (2007);
[1]Liberal market economy; [2] Coordinated market economy; [3] State-led market economy

relations is difficult. This explains the reliance in such systems on the strict interpretation of formal contracts (Williamson, 1985) and on the lack of collaboration with competitors, suppliers and distributors. In the absence of business associations to secure consensus, standards are set by the market-race winners who get to license their technology to others (Hall & Soskice, 2001). In LMEs, there is a private provision of national-level CSR with limited involvement of the State regarding which stakeholders the MNEs need to attend to (Vogel, 2010). Furthermore, CSR is considered "a means to enhance the competitive advantage of the firm, thereby ensuring value for stockholders" (Husted, 2003:482). Therefore, the care for stakeholders is often discretionary and driven by its expected impact on the firm profitability, and (whenever possible) resource outflows to stakeholders are minimal. In light of the above, I suggest that the above governance profile promotes an *individualistic institutional identity orientation.* In general, countries such as the US, Canada, UK, and Australia fall in this category.

Coordinated Market Economies and Relational Institutional Identity Orientation

A mixture of market and non-market mechanisms characterizes the coordination in CMEs (Hall & Soskice, 2001). Long-term contracts with employees and the development of highly-skilled labor prevail in the industrial relations of CMEs (Amable, 2003). Such arrangements motivate workers to share information with their managers regarding improvements in operations and also encourage the firm to invest in the development of employees (Thelen & Kume, 2006). Because the highly firm-specific knowledge of employees may cause them to shirk their duties or otherwise expose them to exploitation by managers (Hall & Soskice, 2001), the CME industrial relations are built on industry-level bargaining intended to hamper such dangers (Amable, 2003). Thus, the industry-wide standardization of wages according to skill-levels prevails (Thelen and Kume, 2006). The strong employment protection also discourages firms from engaging in short-term-profit orientation (Amable, 2003).

The CME has moderate competitive pressures that allow the establishment of stable bank-industry relationships (Bandelj & Sowers, 2010). Since the availability of financial resources is not pegged to the financial statements of the organization, widely-available public information is absent, and investors develop an alternative mechanism to access

company-specific financial data. Investors learn to utilize the dense networks among managers and specialists across industries (Hollingsworth & Boyer, 1997).

As business associations' officials get hold of some intimate knowledge of the firm, the firm's reputation in the inter-firm relations becomes crucial to its ability to access needed resources (Amable, 2003). Such collaborative inter-firm relations foster shared research and development endeavors, which are financed jointly by often-competing firms and the government. Thus, the power of inter-firm associations to resolve industry disputes and set industry standards facilitates relational contracting (Witt, 2006) in which heads-on competition is frequently frowned upon (Hollingsworth & Boyer, 1997).

Regarding national-level CSR orientation, CME governments constrain corporate discretion in the relationships of firms with their non-immediate stakeholders and often mandate CSR activity (Gond et al., 2011). This involvement in CSR initiatives, however, is sometimes indirect and non-coercive, requiring corporate disclosures such as the reporting of firms' social and environmental initiatives—without specifying targets and consequences. One example is State leadership-by-example via CSR procurement (Gond et al., 2011). CSR in many European countries is described as somewhat relational because it is often intended to affect the collaboration between governments (Albareda, Lozani, &Ysa, 2007), the businesses, and the civil society. At the same time, it could be supported by regulation. For example, Silberhorn and Warren (2007) found that, in Germany, "performance considerations were the most prominent motivating principles behind CSR" (p.357). Furthermore, legal responsibilities are the highest-ranking component of CSR in Germany (Pinkston, 1991). Thus, in CMEs the CSR responsibilities of corporations are generally more directed by the State than by corporations and other entities. Based on the above, I suggest that the CME governance profile promotes a *relational institutional identity orientation.* A prototype country for this governance system according to the VoC is Germany (Hall & Soskice, 2001).

State-led Market Economies and Collectivistic Institutional Identity Orientation

Overall, the SLMEs pursue open markets, the development of talent within the country, and the reduction in public expenditure (Mykhnnenko, 2007). Nevertheless, the state control remains fairly high (Lane, 2005). Consequently, on the markets for corporate governance, SLMEs tend to have a small bank-based system and still a fairly

underdeveloped financial market. The meager financial markets and limited banking concentration provide for a fairly poor business environment (Mykhnenko, 2007). This is why the primary sources of investment in SLMEs tend to be foreign direct investments and not stock market or domestic credit (Nolke & Vliegenhardt, 2009). In turn, the heavy competition for foreign direct investment weakens the position of labor in SLMEs. Hence, SLME industrial relations are informal and decentralized, and the coordination for wage bargaining and trade unions is rather weak. The threat of relocation of companies' operations to more favorable regions, however, facilitates non-adversarial industrial relations (Lane, 2005).

The absence of an active employment policy results in a passive labor market policy (Mykhnenko, 2007). This poses barriers to entrepreneurship, trade, and investment, creating a heavy administrative burden for corporations, reflected in a hierarchical coordination (Schneider, 2008). Consequently, the SLME inter-firm relations characterize "individualized company-level industrial relations" (Nolke &Vliegenhardt, 2009:678). Additionally, hierarchies dominate the inter-firm relationships; hence, the direct vertical integration and the dependence of small suppliers on large buyers is common (Schneider, 2008). The oligopolistic structures of SLMEs in which a few large firms dominate the market can explain that (Khanna &Yefeh, 2007).

The CSR activities of many SLMEs are promoted by the government as partnerships with corporations (Fox, Ward, & Howard, 2002). Furthermore, the SLME is known as a "hybrid" governance system. For example, Eastern European capitalism is based on tripartism (a forum for social dialogue between governments, labor and business [Iankova, 2002]), which requires the development of holistic strategies reflecting the interests of a variety of stakeholders. Therefore, the above institutional complementarity can be expected to promote a *collectivistic institutional identity orientation.* Many of the transition economies in Eastern Europe and those in Asia fall in this category.

The propositions made regarding the direct effect of an MNE's organizational identity orientation on its ES made earlier in this study imply that the organizational identity orientation does not occur in an institutional vacuum, but that firms can vary for multiple reasons (the identification of which is outside of the scope of this study) in their response to institutional pressures at home. However, I am also interested in knowing what

happens to the ES of the MNE when the organizational identity orientation developed at home collides with the institutional identity orientation offered by the host country, when an MNE commits substantial resources overseas. This issue is explored next.

ES Outcomes of the Interaction between the MNE's Organizational and Institutional Identity Orientations

Firms face institutional complexity when pluralistic demands are exerted by the environment (Kraaz & Block, 2008). One of the primary sources of institutional complexity unique to MNEs is the "multiplicity of institutional environments" (Kostova & Zaheer, 1999). Greenwood et al. (2011) argued that research in institutional complexity has to explicate the degree and sources of institutional incompatibility. First, the influence of institutional complexity is contingent upon the specification of institutional prescriptions—that is, the more ambiguous the institutional expectations are, the greater the scope of managerial discretion (Goodrick & Salancik, 1996). At large, institutions in LMEs and CMEs have more specific prescriptions than those in SLMEs due to the institutional instability and voids characterizing many of the SLMEs. Hence, firms with LME or CME host countries may have lower managerial discretion in their responses to institutional pressures than firms with SLME host countries.

To further understand that, let us examine the case of MNEs with individualistic organizational identity orientation. As mentioned earlier, an individualistic organizational identity orientation is reflected in highly self-interested behavior and an almost exclusive focus on profits. Therefore, I propose that organizations with such orientation are likely to adopt a Narrow Defensive ES. Such an ES, however, does not fit the institutional identity orientation suggested by SLMEs (which promote collectivistic institutional identity) or CMEs (which promote relational identity orientation). In order to be successful in CME host countries, individual orientation MNEs will have to adjust their connection with stakeholders via their ES—retaining their Narrow focus, but adopting a more Offensive ES strategy, which is consistent with the relational institutional orientation suggested by CMEs. Likewise, in SLME host countries, MNEs with an individualistic organizational identity may still be able to capitalize on a Defensive ES due to much lower specificity of institutional prescriptions; however, they may have to

broaden their ES to match the institutional identity orientation suggested by the SLME's institutional complementarity. Hence,

> **Proposition 2a:** An MNE with an individualistic organizational identity orientation and a LME host country is likely to have a Narrow Defensive ES.
>
> **Proposition 2b:** An MNE with an individualistic organizational identity orientation and a CME host country is likely to have a Narrow Offensive ES.
>
> **Proposition 2c:** An MNE with an individualistic organizational identity orientation and a SLME host country is likely to have a Broad Defensive ES.

Second, the maturity of the institutional environment in a given governance system can also be expected to create various levels of institutional complexities. Maturity has been examined mostly on a field level (DiMaggio, 1991; Maguire, Hargy, & Lawrence, 2004). Nevertheless, the same idea can be applied on a national level. For example, the institutions in SLMEs are (at large) less mature than those in LMEs and CMEs. Mature institutional environments are more settled. Consequently, the institutional complexity at the organizational level may be more easily understood and handled by MNEs with CME and LME host countries. However, for the same reason MNEs in such host countries may also experience greater limitations regarding the strategic options offered relative to the options offered by institutions that are fairly immature—like the institutions in SLMEs.

To further understand that, let us examine the case of MNEs with relational organizational identity orientation. Remember, a relational organizational identity underscores the well-being of a particular narrow set of stakeholders with which the organization is having a meaningful relationship. I proposed that organizations with such orientation are likely to develop a Narrow Offensive ES. This ES will subsume the Narrow Defensive ES strategy promoted by an LME context and will tightly fit the strategy promoted by the mature institutional context of a CME. However, the collectivistic institutional orientation suggested by the less mature institutional complementarity of an SLME will require a broader focus on stakeholders. As a result, MNEs with a relational identity orientation will have to adjust their Narrow ES side to meet the needs of a broader set of stakeholders, Hence,

> **Proposition 3a:** An MNE with a relational organizational identity orientation within an LME host country is likely to have a Narrow Offensive ES.

Proposition 3b: An MNE with a relational organizational identity orientation within a CME host country is likely to have a Narrow Offensive ES.

Proposition 3c: An MNE with a relational organizational identity orientation within an SLME host country is likely to have a Broad Offensive ES.

Finally, the fragmentation of the institutional environment refers to "the number of uncoordinated constituents upon which an organization is dependent for legitimacy or material resources" (Greenwood et al., 2011). Fragmented environments characterize the coexistence of uncoordinated actors, each favoring disparate sets of institutional prescriptions. Fragmentation alone can be expected to amplify the complexity organizations face. It reflects the range of demands pressing upon an organization. At the same time, the degree of formalization of the institutional environment (which refers to whether the institutional demands are formal or informal) will also influence managerial discretion (Meyer, Scot, & Strange, 1987). That is, low formalization increases discretion, whereas high formalization sharpens the specificity of demands and decreases discretion. Additionally, the level of centralization—the degree of hierarchical power structure of institutional constituents (where the hierarchical structure is an outcome of centralized power)—also affects discretion (Meyer et al., 1987). Greater centralization may lead to the standardization of organizational forms and a reduction of the complexity to which the firm is exposed (Greenwood et al., 2011). Taken together, these institutional characteristics will provide different challenges and opportunities for MNEs in each governance system.

To exemplify this, let us take the case of the remaining group of MNEs with a collectivistic organizational identity orientation—those MNEs, which perceive themselves as part of a greater collective and "forge external and internal stakeholder relationships based on a common purpose" (Brickson, 2007:871). It is from the pool of MNEs with such identity orientations that I expect self-governance initiatives to emerge. For example, opportunities combining high fragmentation, low formalization and high centralization characterizing the governance system in SLMEs will be particularly strong for MNEs with collectivistic identity orientations. MNEs may have unexplored opportunities to build innovative relationships with stakeholders in SLME host countries because the highly-fragmented institutional environment (characterizing a mixture of

uncoordinated actors each favoring disparate sets of institutional prescriptions in SLMEs) will likely increase the complexity MNEs are facing. At the same time, however, the lack of formalization of the institutional environment will increase the level of managerial discretion. Coupled with the highly hierarchical organizational interactions among economic and social actors in SLMEs, it can create opportunities for MNEs to collaborate with governments in the development of a variety of stakeholder projects that MNEs would not otherwise engage in and thereby legitimize their relations with stakeholders. Such opportunities are less likely to emerge in LMEs and CMEs, because their institutional complementarities characterize highly-coordinated, formalized and de-centralized relationships.

I suggested earlier that MNEs with a collective identity orientation are likely to have a Broad Defensive ES. The defensive side of the ES of MNEs with a collective identity orientation may not fit the CME host environment, which, I suggested, will require an Offensive ES; therefore, such MNEs will have to adjust their ES to fit the CME institutionally-offered orientation. However, the Defensive side of the ES promoted in both the individualistic and collectivistic institutional identity orientations of LMEs and SLMEs, respectively, will fit the collectivistic organizational identity orientation of MNEs. As a result, they will retain their Broad Defensive Strategies in LME and SLME host countries. Therefore,

> **Proposition 4a:** An MNE with a collectivistic organizational identity orientation within an LME host country is likely to have a Broad Defensive ES
>
> **Proposition 4b:** An MNE with a collectivistic organizational identity orientation within a CME host country is likely to have a Broad Offensive ES.
>
> **Proposition 4c:** A MNE with a collectivistic organizational identity orientation within a SLME host country is likely to have a Broad Defensive ES.

In the above discussion, it is important to recognize that organizations must answer the question of, "who are we?" before the appropriate institutional guides are set in motion (Kraaz & Block, 2008). By focusing on the interaction effects of the organizational identity orientation and the institutional identity orientation of the host country of the MNE on the ES, I suggest that the organizational identity orientation is an organizational self-conception *after* accounting for the institutional influences in the

home country. In that, this approach resembles the home/host country institutional friction concerning MNEs, but I examine the home country institutional effects through the prism of the chosen MNE organizational identity. This is necessary, because organizations can develop multiple identity orientations in a similar institutional environment (Brickson, 2005).

Although Brickson (2005) demonstrated no specific patterns of distribution of identity orientations among firms in a given institutional environment, I believe such patterns exist due to discrepancies in 1) the managerial discretion that various governance systems promote in their power structures and 2) interactions among important economic and social actors characterizing each system. For example, I expect the managerial discretion regarding available options of identity orientations to be greater among MNEs with an LME country of origin compared to MNEs from CMEs countries. This is due to differences in the institutional complementarity characterizing LMEs and CMEs (see Table 3). Specifically, LMEs characterize multiple institutional identity orientation options because they promote strong competition on many levels (e.g., among firms, among employees, and among suppliers). As I discussed above, this is well-served by organizations holding an individualistic perception of "self." Such an identity orientation, however, provides minimal care for stakeholders. Consequently, it will be subsumed by any other organizational identity orientation, which will excel in care on at least one of two dimensions of interacting with stakeholders—breadth of relationships (for collectivistic identity orientation) or depth of relationships (for relational identity orientation).

The institutional identity orientation discussion was dedicated to explaining how the institutional landscape in a given governance system facilitates certain types of interactions with stakeholders. The discussion also demonstrates that it will be close to impossible to survive as an atomized entity in a CME country (such as Germany and Japan) or any CME-like countries (such as the Nordic States of Europe). Table 3 shows that such states support a largely network-based form of interaction, which empowers employees, creates self-regulating behavior among firms through reputation effects, pursues and enforces professional standards via business associations, and leans on the development of strong inter-firm networks that require collaboration with universities and

(oftentimes) with competitors. Hence, I put forward the notion that the likelihood of an MNE developing a specific organizational identity orientation (and, in turn, a given ES) will be largely influenced by the institutional complementarities at home. That is, an individualistic organizational identity orientation of a German-based MNE (although theoretically possible) will practically diminish the survival chances of an organization at home and, therefore, it will be very unlikely to emerge, because Germany is a CME.

At the same time, however, such an identity orientation can ensure greater survival prospects in a highly-competitive environment such as that in LMEs. As Brickson (2005) demonstrated, some institutional identity orientations are tolerant of all three types of organizational identity orientations. This is due to greater managerial discretion in countries like the US (i.e. LMEs) regarding how firms perceive themselves relative to stakeholders as a whole. However, the characteristics of CMEs are such that they may limit 1) the discretion managers have regarding how they interact with stakeholders and 2) the available choices of organizational identity orientation. In that respect, firms adopting the institutionally-given identity orientation will best fit their instructional environment and may experience the least amount of institutional pressure to adjust their ES, which is particularly important to note when examining MNEs who face institutional environments that conflict with their organizational identity orientation.

What follows from the above addition is that the institutional logic in LMEs and CMEs is more specific than that in SLMEs, due to the fact of institutional instability and deficiency in many of the emerging economies (which characterize SLME). Hence, LME enterprises that enter CMEs (and CME enterprises that enter LMEs) may have lower discretion regarding how to respond to institutional pressures via the ES relative to LME (and CME) enterprises who enter SLMEs.

SUMMARY

In this conceptual piece, I attempted to advance the concept of the enterprise strategy, suggesting that it integrates the economic with the social aspects of stakeholder management outcomes, and, compared to CSR, it is a broader and more flexible measure of the firm's relationship with its stakeholders. As such, it provides some promising avenues for future research in stakeholder management at the highest strategic level of the organization that are not offered by the CSR construct.

I also advanced the concept of ES by fleshing out some of its primary characteristics and by suggesting some important antecedents. A major advantage of the ES over other stakeholder concepts is that the ES offers a framework that can help managers determine which stakeholders the organization should focus on and what kind of benefits it should offer. The lack of lucidity on this issue so far consistently weakens the need for stakeholder engagement. According to the ES framework, firms prioritize relationships with stakeholders which reflect the organizational and institutional identity orientation. The identity orientation perspective of the ES simply suggests that social responsibility is a matter of degree, but it is an integral part of the organization.

Specifically, I proposed that there is a link between the organization's identity orientation and the scope and breadth of the ES. That link is defined by the common questions of identity and legitimacy that both concepts address. Thus, if the leaders of an organization define that organization independently from its various stakeholders (as "the best" and "the most"), they are likely to adopt an ES which reflects such a definition. Specifically, individualistic identity orientation will be associated with Narrow Defensive ES, relational identity orientation with Narrow Offensive ES, and collectivistic identity orientation with Broad Defensive.

At the same time, however, organizational identity orientations are not developed independently from the institutional environment. MNEs represent a particularly interesting case for the examination of this issue, because they operate in institutional environments characterizing multiple types of coordination. I addressed that complexity by examining the phenomenon of the MNE's response via the ES to the interaction between the MNE's organizational identity orientation developed at home and the institutional identity orientation offered by the MNE's host country. Using knowledge from the VoC literature, I proposed that, when MNEs commit important resources overseas, they will use their ES to identify a fit with the coordination among economic and non-economic actors characterizing the host country. Thus, firms with a Narrow Defensive ES who enter CMEs will shift to a Narrow Offensive ES and those who expand in SLMEs will prefer a Broad Defensive ES. Their strategy will remain unchanged in LMEs. Firms with a Narrow Offensive who enter LMEs and CMEs will retain their ES; however, they will adjust it to a Broad Offensive in SLMEs. Finally, firms

with a Broad Defensive ES will retain this strategy in LMEs and SLMEs, but will shift to a Broad Offensive in CMEs. Ultimately, the theory outlined here offers a multi-level identity explanation of the ES.

The ES incorporates executives' decisions which are embodied in laws and ethical customs in a way that reflects the organizational identity orientation, while the organization is pursuing financial prosperity in the context of the limitations suggested by the institutional identity orientations. Such a premise explains the simultaneous existence in the same environment of organizations with charitable and with purely profit-oriented purposes. More importantly, suggesting that social responsibility is a matter of degree brings together two views that have historically been considered contradictory—that of Friedman (1970) who envisioned that in a free enterprise, managers serve the owners whose desires "generally will be to make as much money as possible, while conforming to the basic rules of the society, both those embodied in law and those embodied in ethical custom" (p. 33) with that of Freeman (1984), who suggested that "isolating 'social issues' as separate from the economic impact which they have, and conversely isolating economic issues as if they had no social effect, misses the mark both managerially and intellectually" (p.40).

ESSAY 2: THE ENTERPRISE STRATEGY OF THE FIRM: CONCEPT, MEASUREMENT, AND VALIDATION

INTRODUCTION

Of the growing number of studies showing interest in the topic of stakeholder management, few focus on the overarching approaches that firms develop regarding their stakeholder relationships and overall role in society. This area of research is particularly important, as managers increasingly devote resources to support relationships between their organizations and a variety of stakeholders (Porter & Kramer, 2011).

Traditional considerations of stakeholder relations assess the corporate social responsibility (CSR) orientation of the firm (Freeman, 1984). Studies utilizing this concept are also primarily interested in how such voluntary initiatives relate to corporate sustainability, philanthropy, and citizenship influence the firm's financial performance (Margolis, Elfenbein & Walsh, 2007). Despite the abundance of empirical studies claiming to assess CSR, it is still not quite clear what CSR is, nor is it clear what its antecedents and effects might be (de Bakker, Groenewegen, & den Hond, 2005). In an overview of the stakeholder concept, Freeman (1984) positioned CSR as one of the ES concept's historical precedents. However, he argued that there is an inherent problem with the nature of CSR—the fact that it advocates "a split between the profit-making piece of business and the profit-spending or socially-responsible part" (p.40). Specifically, Freeman stated that:

> Isolating social issues as separate from the economic impact which they have, and conversely isolating economic issues as if they had no social effect, misses the mark both managerially and intellectually....While the corporate social responsibility literature has been important in bringing to the foreground in organizational research a concern with social and political issues, it has failed to indicate ways of integrating these concerns into the strategic systems of the corporation in a non-ad hoc fashion. (p.40)

Despite the vast body of CSR literature emphasizing the strategic importance of CSR, the abundance of studies attempting to rectify the meaning of CSR (e.g., Campbell, 2007; Matten & Moon, 2008; Sherrer & Palazzo, 2011) and the lack of consistent findings in the empirical investigation of CSR correlates to a large degree confirm Freeman's suspicions that the theoretical and methodological problems associated with the construct are indeed unresolved. Consequently, Freeman (1984) emphasized the need for a new

conceptual framework intended to enable an integrative analysis of both social and economic issues. One such construct that he suggested is the enterprise strategy (ES) of the firm—the strategy at the top of the organization (Hillman, Keim, & Luce, 2001) which answers the question "What do we stand for?" (Freeman, 1984).

The ES (Schendel and Hofer, 1979) emphasizes value judgments of the overall organization as a primary ingredient of a successful strategy in which both the deeply-held values of the organization and the salient interests of its primary external constituents are factored into the strategic decision-making process for the firm (Freeman, 1984). Twenty years after Freeman addressed the notion of the firm's ES to flesh out a firm's role in and relationship with society, he concluded that the concept and its typology developed in 1984 are something "which no one ever took seriously" (Freeman, 2004:231). This claim is supported by the very short list of (mostly conceptual) studies (see Appendix 1) I was able to find that have utilized in some direct fashion the ES concept. However, in a revision of the stakeholder approach in 2004, Freeman commented that issues like purpose, value, ethics, stakeholder communication, negotiation, contracting, relationship management and motivation (which are held together by the ES) are "far more important" (p. 232) than he originally expected. The importance of the ES lies in the notion of hierarchy of strategies (Hofer & Schendel, 1979:13) according to which lower-level strategies (e.g., business strategy) are nested in higher-level strategies (e.g., corporate strategy). As an organization's uppermost strategy, the ES sets the parameters within which the corporate strategy is formulated. As a result, understanding the ES of a firm will flesh out the origins of the corporate and other lower-level strategies. In relation to this, the present manuscript takes a serious look at the construct of the enterprise strategy (ES) to develop and validate a measure for it.

The primary and most obvious contribution made is the provision of a valid and reliable measure of the construct of the ES that can yield new theoretical and empirical insights on the firm-stakeholder relationship, and its firm- and societal-level outcomes. Additionally, an attempt is made to validate the conceptual ES classification suggested by Meznar et al. (1991), which theorized that there are four ideal types of ES: (1) Narrow Defensive, (2), Narrow Offensive (3), Broad Defensive, and (4) Broad Offensive. Such a contribution is important for two main reasons. First, if the ES facilitates an integrated

analysis of the financial and non-financial performance of the firm, a path to measuring and utilizing the ES presents an opportunity to overcome the key limitation of the CSR construct suggested by Freeman (1984). Second, a psychometrically robust ES construct separates the ES from other value-laden constructs and paves a way forward for the CSR literature as a stakeholder-directed model of strategic thinking and the ES literature as a stakeholder-inclusive model of strategic thinking (Freeman, 1984).

DEFINITION AND DIMENSIONS OF THE ENTERPRISE STRATEGY

The purpose of the ES is to encourage managers to think about where the interests of the variety of organizational stakeholders converge, and to determine the organizational goals and strategies accordingly (Freeman, 2009). The ES instructs that, if firms approach each relevant stakeholder in a considerate manner, they will secure long-run survival and prosperity (Freeman, Harrison, Wicks, Parmar & Colle, 2010). Freeman's (1984) ideas on the ES are partially influenced by the work of Ansoff (1965) who envisioned that all aspects of a firm's strategy (e.g., the product-market, technology, growth, resources and capabilities, society, and legitimacy) are components of the ES. Schendel and Hofer (1979), however, suggested that the ES should ideally address the social-legitimacy aspects of the firm's strategy which are not addressed by any other level of strategy. These concern the firm's integration with the non-controllable environment and its overall role in the daily affairs of society (p. 12).

The ES is more than an economic performance-based construct. It is "value-laden" and has the firm's cultural and leadership values embedded in it (Freeman, 1984:90; Judge & Krishnan, 1994). As a result, it portrays "how a firm attempts to add value to its environment in order to legitimize its existence and ensure its future" (Meznar et al., 1991:53). Previous conceptual work has argued that the ES has two dimensions: (1) scope and (2) type. On one hand, ES *scope* is conceptualized as "the environment to which a firm adds value" (Meznar et al., 1991:53). It reflects the range of financial and non-financial entities an organization interacts with (e.g., shareholders, employees, suppliers, customers, NGOs, governments, the media, and the natural environment) and can be conceptualized as a continuum varying from narrow to broad. For example, a firm which focuses on its shareholders and customers only can be defined as having a Narrow ES relative to a firm which focuses on a wide array of stakeholders including

shareholders, the community, the natural environment, and suppliers and which will be defined as having a Broad ES.

On the other hand, the ES *type* deals with "the types of value a firm adds" to its environment (Meznar et al., 1991:53). It mirrors the benefits provided by the firm to its stakeholders—economic/financial (such as corporate philanthropy), social and related to higher social good (such as endorsing selected causes), and lower financial and social costs (typically, in response to dissatisfied stakeholders). ES type can be conceptualized as a continuum varying from defensive to offensive. For example, broadly defined, a firm which promotes initiatives intended to minimize its relevant stakeholders' costs characterizes a Defensive ES. In contrast, a firm that tends to initiate the creation of some value-generating benefits for its stakeholders will be said to have an Offensive ES. [9]

METHODOLOGY

The operationalization of the ES dimensions was based on a combination of conceptually- and empirically-driven developments of the ES. Using content analysis, I measured the ES using Short, Broberg, Cogliser, and Brigham's (2010) method. Central to the value of content analysis is the recognition that language is a reflection of human cognition (Duriau, Reger, & Pfarrer, 2007). This is in line with the *linguistic relativity hypothesis* (Sapir, 1944; Whorf, 1956) according to which there is a link between the words individuals use and the thoughts they have. That is, the lexical choices of a person reflect and influence his/her perception, attention, choices and action. As a result, the assessment of the language that people use can cast light on the cognitive categories through which they perceive the surrounding world (Sapir, 1944; Whorf, 1956).

Decisions concerning the ES are made by top managers (Steyn & Niemann, 2010). Then, I see the analysis of the written discourse used by top managers as a feasible way to forward my investigation of the direction and intensity of top decision-makers' attention regarding stakeholders. This approach mimics the construction of maps of attention (Huff, 1990) based on the assessment of the (1) type of words used in a given narrative (to show the direction of the attention) and (2) frequency with which the words

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[9]The original classification contains two other ES types—*Accommodative Narrow* and *Accommodative Broad*. Firms characterizing the former ES care for the opinion of particular stakeholder groups and aggressively seek to avoid alienating those stakeholders. Firms characterizing the latter ES perceive themselves as "answerable-to-society-at-large" with respect to their operations. For the full definition of those, refer to Meznar, Christman, & Caroll (1991).

are used (to determine the intensity of the attention). I develop and validate an ES measure using a quantitative content analysis of written documents produced by top managers for all of their firms' relevant stakeholders. These comprise letters to stakeholders published in the beginning of sustainability reports that the MNEs in my sample submitted through the Global Reporting Initiative (GRI). In parallel to the shareholder letters, the stakeholder letters contain statements by a firm's senior management concerning the organization's stakeholder strategies (GRI Guidelines Reference Sheet). A sample stakeholder letter is provided in Appendix 2.

Using computer-aided text analysis (CATA), I follow the first comprehensive set of guidelines for the measurement and validation of constructs (Short et al., 2011). The analysis of texts generated by organizations to assess managerial cognition is not new to the management field. Examples of studies utilizing this technique include, Abrahamson and Park (1994) who use CATA "to explore if, when, and how intentionally corporate officers conceal negative organizational outcomes from shareholders" (p. 1302) and Abrahamson and Hambrick (1997) who also content-analyze letters to shareholders in corporate annual reports to determine the level of homogeneity in top managers' attention patterns across various industries and test variations predicted to be contingent upon managerial discretion. Palmer, Kabanoff, and Dunford (1997) also assess sections of the annual reports of Australian organizations to identify "the languages" of managerial accounts of downsizing. Wade, Porac, and Polloc (1997) demonstrate how executives use language to justify their compensation. Levy (2005) found an association between top management team attention patterns and the expansiveness of the firm's global strategic posture, whereas Kabanoff and Brown (2008) identify the Miles and Snow's (1978) strategic dimension of Prospectors, Analyzers, and Defenders out of electronically-available annual reports from Australian companies listed on the Australian Stock Exchange. For a review of the organizational literature utilizing content analysis see Duriau et al. (2007).

One of the strengths of content analysis is its unobtrusive nature for the analysis of organizational issues, which combines both qualitative and quantitative research traditions (Palmer et al., 1997). Most importantly for my study, content analysis is a

highly-useful tool in the investigation of issues (like the ES), which have not been sufficiently developed and tested (Sonpar & Golden-Biddle, 2008).

Short et al. (2010) demonstrated their CATA-based procedure by developing and validating the multidimensional construct of entrepreneurial orientation using the CEO letters to shareholders supplied in the annual reports of publicly-traded US companies. The technique for measuring and validating a construct using content analysis recommends the establishment of *content validity*, *external validity*, *reliability*, *dimensionality*, and *predictive validity*. After discussing the source of the data for my investigation, I address each one of these issues in the following few sections.

GRI Reports as a Reliable Data Source for the Measurement of the ES Dimensions

The GRI is a network-based organization, which identifies itself as "a non-profit organization that promotes economic, environmental and social sustainability."[10] It was founded in Boston in 1997 with the help of the Coalition of Environmentally Responsible Economics (CERES) and the Tellus Institute. Through the provision of clear reporting guidelines, CERES established a "Global Reporting Initiative" with the intention of developing a framework that will ensure uniform sustainability reporting of organizations across the globe. The first version of the guidelines (known as G1) was launched in the year 2000. The second generation of guidelines (G2) was introduced in 2002, during the World Summit on Sustainable Development in Johannesburg, when the United Nations Environment Program (UNEP) embraced the GRI and has since become a primary contributor to the legitimization of the initiative. In conjunction with the UNEP, the GRI is backed up by powerful organizations such as the UN Global Compact and the Organization for Economic Co-operation and Development. The two most-widely used guideline advances were introduced in 2006 (G3) and 2010 (G3.1). G4—the latest generation of reporting guidelines— was launched in May of 2013.

In their structure and content, the GRI reports are very similar to annual reports. In fact, in a recent study, Etzion and Ferraro (2010) argued that the GRI pursued legitimacy by drawing analogies with annual reports "emphasizing the similarity between sustainability reporting and financial reporting" (p. 1093). The authors pointed out similarities in the sustainability and financial reports expressed in the GRI mission at the

[10] Source: https://www.globalreporting.org/Information/about-gri/Pages/default.aspx

time (regarding reporting, which is "as routine and comparable as financial reporting"[11]), and GRI reports paralleling attributes characterizing financial reporting such as "rigor, disclosure, verifiability, credibility, regularity of publication, and presentation style" (Etzion & Ferraro, 2010:1099). This is further confirmed by the involvement of the global accounting giants such as KPMG, Deloitte, and Earnest & Young, in the auditing of many of the GRI reports. The reports and their descriptions are available in the Sustainability Disclosure Database of the GRI.[12]

Like annual reports which contain letters to shareholders, GRI reports have letters to stakeholders. According to the standard disclosure profile in the GRI sustainability reporting guidelines, the stakeholder letter is an integral part of any GRI report and contains a statement from the most senior decision-makers concerning "the overall vision and strategy for the short-term, medium term (i.e. 3-5 years), and long-term, particularly with regard to managing the key challenges associated with economic, environmental, and social performance" (GRI Guidelines Reference Sheet). This makes the letters to stakeholders in GRI reports a particularly valuable source of data on the ES dimensions. Also, based on the above, I perceive the letters to stakeholders to be just as usable for assessing managerial cognition as are the letters to shareholders. While the reliability of letters to shareholders as sources of text for the assessment of managerial cognition has been questioned (due to the fact that such letters and reports may be targeting specific audiences for a specific purpose), the use of shareholder letters has a lot of merits. There is an abundance of studies utilizing content analysis in the above-described fashion that are published in reputable journals. Additionally, Abrahamson and Hambrick (1997) provide a comprehensive set of arguments in favor of this approach. They pointed out three reasons why shareholder letters can be considered reliable sources of data on managerial cognition. First, many of the studies specifically testing the validity of shareholder-letter measures of top managers' cognition (e.g., Bowman, 1984; Clapham & Schwenk, 1991; Fiol, 1995) showed rigorous evidence that "patterns of causal attribution in annual reports were better explained by information-processing rather than impression-management theories" (Abrahamson and Hambrick, 1997:520). The validity of the

[11] Source: http://www.thecro.com/int/measure
[12] Source: http://database.globalreporting.org/

shareholder letters as an important source of information on the organization has also been confirmed in more recent studies promoting CATA (e.g., Pollach, 2012; McCleallan, Liang, & Barker, 2010; Cheng & Chang, 2009).

Second, some studies established validity by developing, and finding support for, hypotheses concerning how the measure of the construct being validated relates to a measure of other constructs. This, according to Abrahamson and Hambrick (1997), renders additional support for the validity of constructs which use annual reports to assess managerial cognition. Finally, shareholder letters represent a non-reactive technique for evaluating the managerial cognition, which overcomes the weaknesses of interviews and questionnaire data (Bowman, 1984). Moreover, unlike other forms of content analysis, the analysis of letters is a fairly objective approach when it comes to coder biases (Huff, 1990). This notion is supported by Kabanoff and Brown (2008) who suggested that "a considerable number of studies using both text-based and non-text-based measures of managerial and organizational behaviors have found theoretically meaningful and statistically significant associations between them" (p. 154).

Enterprise Strategy Content Validity

Content validity refers to the assessment (by expert judges' ratings, pretests with multiple sub-populations and other means) of the degree to which the empirical approach to measuring a construct corresponds to the construct's conceptual definition (Hair, Black, Babin, & Anderson, 2010). Effectively, the content validity specifies the theoretical basis for the items (scale) measuring a given construct, supplied by prior research defining the character and nature of a concept. In CATA, instead of items to measure each dimension of a construct, the researchers generate a set of unique words which reflect the conceptual meaning of each dimension of the construct. The total number of words assessing each construct dimension is called a dictionary. In summary, in quantitative content analysis, the dictionary represents a set of words that are applied to the text being analyzed (Neundorf, 2002) to measure the construct under investigation. Again, when text is used as a proxy for managerial cognition, the goal is 1) to assess whether the words in the dictionary appear in the text being analyzed (in order to determine the executives' attention direction) and, if yes, 2) to determine what the

frequency with which those words appear is (in order to assess the intensity of that attention).

Short et al. (2010) suggested two approaches to a dictionary construction—deductive and inductive. The deductive approach is based on existing theory. Deductively-generated dictionaries contain a list of words developed in advance and then applied to a text. In the inductive approach, the list of words emerges from within the text being analyzed. It has been suggested, however, that (whenever possible) CATA should begin with the deductive approach, and the inductive approach should mainly be supplementary (Short et al., 2010; Porac, Wade, & Pollock, 1999). Therefore, to create a customized dictionary intended to measure the ES dimensions, I adopted a combination of deductively- and inductively-generated words.

Deductively-generated (theoretical) word list. To generate such a list, I started with the existing theoretical work on the ES. The theoretical and empirical work in the ES domain, however, is sparse. The most significant theoretical resources (which demonstrate a serious consideration of the ES) are outlined in Appendix 1. I also utilize the primary definition of Schendel and Hofer (1979) according to which the ES is concerned with the social legitimacy of the organization, and its purpose is to help the organization stay functional in its broader non-controllable environment (p. 12). With this in mind, I commenced the four-step process of word generation to construct the dictionary based on my understanding that the ES deals with the overall everyday role of the business in society. I began by identifying a broad range of stakeholders (including, competitors, suppliers, customers, distributors, employees, and community/society[13]), corresponding to the Freeman's (1984) view of the ES:

> I propose to define enterprise level strategy as an answer to the question "WHAT DO WE STAND FOR?" At the enterprise level, that task of setting direction involves understanding the role of a particular firm as a whole, and its relationships to other social institutions. (p. 90-91)

In my second step of the establishment of content validity, I assessed the initial dimensionality of the theoretically-suggested ES dimensions of *scope* and *type*. Here, I also rely on Meznar's et al. (1991) classification of the ES components as: "(1) the

[13] A complete list of all the stakeholders analyzed is provided in Table 4

environment to which the firm adds value [i.e. the range of stakeholders] and (2), the type of value the firm adds [i.e., the benefits provided to those stakeholders]" (p. 53).

Step three involves the development of an extensive word list to capture the theoretical dimensions of this construct. Similar to Short et al. (2010) and Zachary, McKenny, Short, and Payne (2011), to ensure that my list is reasonably comprehensive, I used Rodale's (1978) Synonym Finder. In addition, I utilized Roget's (1977) International Thesaurus.

In step four, two raters examined the words generated inductively and deductively and compared them with the theoretical definition of the ES. The two raters were required to delete words that (in their view) did not correspond to the definition and add words which did. Of the 1,237 deductively-generated words, 334 word roots were chosen by both raters. To validate the list generated, the coders calculated the inter-rater reliability using the Holsti's (1969) approach (PA=2A/[N1+N2], where "PA" is the percentage of agreements, "A" represents the number of agreements between the two coders, and "N1" and "N2" represent the number of words rated by each coder). The generally-accepted levels of inter-rater reliability corresponds to the generally-accepted levels of Cronbach's α of 0.70 (Riffe, Lacy, & Fico, 2005). The average inter-rater reliability in this approach was 0.84 for scope (ranging from 0.75 to 0.93 for the individual stakeholder dimensions) and 0.75 for type.

Inductively-generated word list. In addition to the above approach, I supplemented my word list with text-specific words generated using CATA (Short et al., 2010). First, I randomly selected one-hundred letters to stakeholders from a pool of 320 GRI reports of MNEs. All the letters were then converted into a text file and combined into a single document. This document was subjected to a basic word count intended to identify the word-usage frequency. The software used to perform the word count and, later, the individual letter analysis, is called "Yoshikoder." This software is a publicly-available multilingual content-analysis program developed in relation to the Identity Project at Harvard University. It is comparable to other programs for content analysis such as General Inquirer, DICTION, VBPro, and Wordstat. It allows the upload of documents, the construction and application of continent analysis dictionaries, the examination of

keywords-in-context based on concordances' extraction, and the performance of basic content analyses in any language.[14]

I performed a basic word count of the text of my 100 randomly-selected GRI letters to stakeholders. This procedure returned a total of 7,912 words repeated with different frequency from 1 time for non-English terms/names such as "cegria" to 417 times for the word "business." The most frequently used generic words (e.g., *as, are, with, on, this, have, by, and a)* are neutral to this study and were removed from further consideration.

Second, a thorough review of the words used in the stakeholder letters was manually conducted. In this process, words for further examination were highlighted. The selection of those words was based on their meeting two criteria: the first one addressing ES scope and the second one addressing ES type. A word was included in the dictionary if: 1) (for ES scope) it explicitly referred to some stakeholder discussed in the literature (e.g., community, environment, and worker/employee) or was a derivative of that stakeholder (e.g. communities and employees) and 2) (for ES type) it indicated whether something related to expansion or contraction took place (e.g. development, investment, and growth vs. cost reduction and their derivatives). With the help of a second rater, following those criteria, I created a preliminary list of words that could potentially be included in the dictionary. We excluded from this list words that were mentioned less than 3 times overall across the 100 letters, as we did not think they provide a significantly insight. After refining the list, 667 words were left to consider for inclusion in the dictionary. Of those, 577 words overlapped with the deductively-generated words (including their derivatives), and the rest were retained for further analysis, as they were considered to be related to the dimensions of the ES based on my knowledge of the stakeholder management literature.

The next step we took was to further refine the words and categorize them in a fashion consistent with the dimensions of the ES suggested by the literature. The software (i.e. Yoshikoder) does not automatically assess co-occurrences of words and themes. Hence, the other rater and I manually examined the context in which each word was used. We did this by analyzing the so-called concordances—extractions from the letters which contain a certain number of words before and after the focal word. Based on that, we

[14] To read about and download the program, go to http://www.yoshikoder.org/downloads.html

identified patterns of word co-occurrences. For example, many times the word "environment" was preceded by "natural." The concordance analysis suggested that, when building the dictionary to assess the dimension of *ES scope* (i.e. broad vs. narrow), we should focus on the nouns, which explicitly refer to a given stakeholder (for example, customers, employees, environment, suppliers, community) and disregard the adjectives that might be describing those nouns or other nouns that the concordance analysis revealed to co-occur with the focal word and refer to the same stakeholder. In doing that, the goal was to avoid double-counting, which would create an inflated view of the importance of a particular stakeholder theme. In a similar fashion, to develop the set of words identifying the dimension of ES type (i.e. offensive vs. defensive), the other rater and I focused mainly on the verbs used (and their past and continuous tense derivatives) in the letters and, for the most part, omitted other parts of speech. Some exceptions include words such as *productivity, investment, initiative, cost, donations, conservation,* and *development,* which, according to the concordance analysis, have unique contributions to the direction of the benefits provided to stakeholders (i.e. cost minimization vs. tangible value addition).

Overall, this approach is largely exploratory, and my goal was to understand the basic tone and content of the letters and the information they may communicate regarding the organization's ES, as opposed to gauging, in detail, what exactly the top managers' specific objectives regarding the letters are. Again, after the two raters independently examined the list of words assessing the dimensions of the ES construct that was inductively generated, an inter-rater reliability of 0.92 was calculated using the approach described earlier concerning the deductively-generated word list. In addition, some words were further discussed and included in the list when agreed upon by the raters. Extractions from the dictionary utilized in assessing the ES is presented in Table 4. The final list comprises 384 dictionary entries[15] (334 deductively- and 50 inductively-generated).

The inter-rater reliability for the concordance analysis was 0.87 for the ES scope and 0.82 for the ES type, where 20% of all the 3,128 concordances for ES scope (i.e. 626) and

[15] The number of dictionary entries is smaller than the number of words, because the software used allows for the extraction of derivatives using only one entry. For example, the entry employee* will count the occurrences of both "employee" and "employees."

Table 4. Extractions from the Dictionary for the Operationalization of the Enterprise Strategy Dimensions

Dimension	Words
Activists	NGO*, activist*, advocate*, demonstrator*, nongovernment, non-government, partisan*, protester* (8)[1]
Certification	GRI, certification*, certificate*, committee*, compact, ISO (6)
Community/ Society	child*, citizen*, communities, community, education, everyone, household*, nation*, people, person* population, public, societal, society, student*, university, universities, world (21)
Competitors	competitor*, player*, rival*, opponent*, vier*, contender*, entrant*, contestant*, opponent* (9)
Customers	buyer*, client*, consumer*, customer*, market*, patient*, purchaser*, segment*, shopper* (13)
Distributor	agent*, connection*, dealer*, distributo*, distribution, exporter*, link*, merchant* (18)
Employees	accident*, contractor*, culture, diversity, employee*, fatalities, fatality, gender, injuries, injury, job*, labor, labour, men, personnel, professionals, staff, talent, team*, women, worker* workforce, workplace (29)
Government	Washington, authorities, authority, bribery, corrupt* government*, jurisdiction*, law*, political, politics, presidency, regulation*, regulatory (17)
Managers	CEO, chairman, director*, executive*, leader*, manager*, management (9)
Natural environment	CO2, air, biodiversity, carbon, climate, electricity, emission*, energy, environment*, footprint, forest*, gas, gases, greenhouse, hydrocarbons, land, nature, natural, paper, planet, plants, pollutant*, pollution, power, recycling, renewable*, waste, water (28)
Owners/Financiers	bank*, dealer*, holder*, investor*, landlord*, shareholder*, stockholder* (15)
Supplier	donor*, provider*, retailer*, supplier* (10)
Union	strike*, syndicate*, union* (7)
Offensive	acqui*, boost*, create*, develop, developed, donat*, engage*, expand*, extend*, generat*, grew, grow*, implement*, improv*, increas*, initiat*, innovat*, introduce*, invest*, launch*, nurtur*, provid*, reinvest*, rose, streamlin* strengthen*, striv*, undertak*, volunteer* (112)
Defensive	abate*, alleviat*, avoid*, compliance, complied, comply, conserv*, consolidat*, control*, cost*, cut*, damp*, decreas*, ease, easing, efficien*, eliminate*, ensur*, expense*, expenditure*, inefficien*, lose, loss, lost, lowering, miminiz*, mitigate*, optimize, optimize, preserv*, prevent*, protect*, recover*, respon*, save*, saving, shorten*, shrink*,shrunk, tackl* (82)

N=384 dictionary entries

*the word is truncated. The sign * substitutes for any number of characters at the end of the word. For example, investor* will count both words—"investor" and "investors." Likewise, corrupt* will count "corrupt," "corruption," "corrupting," etc.

[1]the number in the brackets represents the number of dictionary entries for each ES component

all concordances (i.e. 2,663) for the ES type were examined. Examples of analyzed concordances of the defensive and offensive components of the ES are presented in Appendix 3a (Defensive) and 3b (Offensive). A summary of the procedure for the construction of the dictionary is outlined in Appendix 4.

External Validity

Validity refers to the extent to which "a set of measures accurately represents the concept of interest" (Hair et al., 2010:3). External validity, however, represents the level of generalizability of the identified (causal) relationships examined in a study across time, people, and settings (Mitchell & Jolley, 2001).

The original insight behind the ES is that even though the ES may not be formally stated in organizations, it exists nevertheless (Steyn & Niemann, 2010). Also, there may be many particular stakeholder narratives (Freeman, 2004), and therefore varieties of ES, within any two given dimensions of an ES typology. For example, there is a multitude of possible combinations of stakeholder dimensions that can constitute a Narrow Offensive strategy. Some such strategies can focus on customers and owners, yet others can prefer the natural environment and employees—clearly the same ES can refer to a wide variety of firm values. This poses certain challenges to the generalizability (i.e., external validity) of my measures. To surmount these challenges, I adopted the proximal similarity approach to establishing external validity (Campbell, 1986). This approach requires the researcher to identify various generalizability contexts and develop a theory about which one is more similar to the study being conducted and which one is less similar. Since my focal interest is the ES of MNEs, ideally, I could examine a comparable sample of MNEs, which reported GRI in a different year. Such a choice, however, must reflect the sample independence assumption characterizing the analysis of variance, which I would use to compare the findings across time. Unfortunately, I was not able to identify a comparable sample of MNEs that reported GRI in the year 2010, which were not included in the MNEs list of 2011. Therefore, I decided to look for contextual similarities by comparing US-based MNEs with US domestic firms which reported GRI in the year 2011. My decision was based on suggestions from the literature on the institutional embeddedness of MNEs, according to which (far from being "nationless")

MNEs remain largely rooted in their home-country institutional environment (Rugman & Hodgetts, 2004). Based on the above, I expect some differences between those two groups of firms; however, overall, their ES language should be similar.

The descriptive statistics of non-US MNEs and US firms (including US-based MNEs) are presented in Table 5. Sample 1 includes findings for 230 MNEs who reported GRI in the year 2011. Sample 2 comprises the findings for 209 US companies who also reported

Table 5. Sample Descriptives (N=439)

Criterion		Sample 1 (non-US MNE reports 2011)		%	Sample 2 (US reports 2011 with US MNEs)		%
Region	N. America & Australia	43		19%	209		100%
	S. America	16		7%	90 US-based MNEs		
	W. Europe	107		47%	119 US firms		
	E. Europe	10		4%			
	Asia	49		21%			
	Africa	5		2%			
	Total N		230	100%		209	100%
Sector	Manufacturing	135		59%	111		53%
	Non-manufacturing	95		41%	98		47%
	Total N		230	100		209	100
Application level[1]	A+	53		23%	12		6%
	A	14		6%	23		11%
	B+	37		16%	15		7%
	B	53		23%	63		30%
	C+	12		5%	4		2%
	C	37		16%	39		19%
	Undeclared	22		10%	46		22%
	Other	2		1%	7		3%
	Total N		230	100%		209	100%
Status[2]	GRI	70		30%	56		27%
	Third	61		27%	4		2%
	Self	75		33%	96		46%
	Undeclared	21		9%	46		22%
	Other	3		1%	7		3%
	Total N		230	100%		209	100%
Industries		31			31		
Countries		37			1		

[1] The application level refers to transparency; the higher the grade, the more transparent and detailed the report is;

[2] The status reveals whether the report was audited and, if yes, who audited it. For example, "GRI" means that the GRI audited the report, "Third" means that a third party (e.g. KPMG/Deloitte) audited the report.

GRI in the year 2011. The MNEs represent 37 countries operating in 31 industries. The US firms contain 90 US-based MNEs and 119 domestic companies from 31 industries.

The reports were gathered from the GRI website (www.globalreporting.org). Some descriptive information, including firm name, year, industry and country of origin, as well as report status and grade were included. In cases where the reports were not available via the GRI website, I acquired them from the company's website. I excluded reports that were issued in languages other than English. The total number of MNEs with GRI reports at the time the reports were collected (i.e. November 2012) was 377 for the year 2011. I used the reports of all US firms who issued GRI in 2011 that I was able to access at the same time. According to the Sustainability Data Disclosure Database Data Legend, the GRI defines MNEs as companies with at least 250 employees and turnover greater than 50 million euro or balance sheet total of more than 43 million euro.

To ensure that the text under investigation is representative of the executives' cognition, I analyzed the letters to stakeholders provided in the beginning of every GRI report (Kabanoff & Brown, 2008). The letters to stakeholders are similar to the President's/CEO's letter to shareholders in the annual reports of US firms; however, they have a broader focus and are a particularly appropriate source of text for my study.

Testing for evidence of language representing the ES of the organization. To identify the presence of language defining the construct of entrepreneurial orientation, Short et al. (2012) performed a one sample *t* test for each one of the construct's five dimensions. One-sample *t* tests are used to compare sample data to a population when the sample variance is known but the population variance is not. Short et al. (2012) suggested that the presence of language in the text being analyzed is compared with a value of zero (where a zero represents the assumption that the text does not contain language that defines the construct under investigation). A statistically significant difference indicates the existence of a language to measure a construct's dimensions. In my case, this requires one to compare the mean of each ES dimension to a value of zero (i.e. the assumed mean of the population). A mean value of an ES dimension (which is significantly different than the assumed mean value of the population [i.e. zero]), will suggest the presence in the stakeholder letters of language identifying that dimension. However, I perceive an inherent problem in such an analysis. If, for example, all letters except one have a value

of zero for a given ES component (meaning that all letters but one do not mention a particular stakeholder), the mean value of this ES component across all letters will still statistically be significantly different from a zero. This will inflate the importance of that ES component and will wrongfully signal that the letters indeed contain a language which can be used to measure that specific ES component. Therefore, I suggest that the assessment of the number of letters which mention a given ES dimension at least one time is a more robust measure of the true presence and distribution of a language concerning a given ES component. The results of this analysis for the MNE and the US sample of firms are both presented in Table 6.

Table 6. Evidence of Enterprise Strategy Language in the GRI Stakeholder Letters: MNE and US Samples

	Mean		SD		N		non-zero[1]		%[2]	
ES component	MNEs	US	MNE	US	MNE	US	MNE	US	MNE	US
Total	.0824	.0897	.0201	.0234	230	209	230	209	100	100
Activists	.0004	.0003	.0008	.0007	230	209	47	42	20	20
Certification	.0013	.0010	.0021	.0030	230	209	102	60	44	29
Community	.0084	.0112	.0061	.0071	230	209	219	203	95	97
Competitors	.0003	.0002	.0007	.0006	230	209	54	15	23	7
Customers	.0063	.0059	.0056	.0045	230	209	197	186	86	89
Distributors	.0004	.0003	.0008	.0008	230	209	53	34	23	16
Employees	.0058	.0069	.0047	.0058	230	209	205	182	89	87
Government	.0010	.0008	.0017	.0014	230	209	98	65	43	31
Managers	.0061	.0057	.0047	.0039	230	209	219	194	95	93
Nat. env.	.0139	.0180	.0116	.0126	230	209	222	201	97	96
Owners	.0009	.0011	.0014	.0016	230	209	102	91	44	44
Suppliers	.0009	.0008	.0015	.0013	230	209	94	75	41	36
Unions	.0002	.0002	.0007	.0010	230	209	29	16	13	8
Defensive	.0142	.0140	.0076	.0070	230	209	230	209	100	100
Offensive	.0222	.2488	.0086	3.2494	230	209	230	209	100	100

[1] The column represents the number of letters, which mention a given ES dimension at least once
[2] The column represents the percentage of letters (as a total number of letters), which mention a given ES dimension at least once

Results of evidence of ES language. The results in Table 6 show some differences in the attention direction of MNEs and US company executives regarding certification, competitors, government and suppliers. Some overlaps are also evident. Relatedly, what is also important to observe is if there are any significant differences in the intensity of the executives' attention regarding stakeholders. To assess whether there are significant differences in executives' attention intensity and, subsequently demonstrate a certain

level of generalizability of my study, I performed a one-way analysis of variance (ANOVA). The generic purpose of ANOVA is to establish whether there are any mean differences between groups. In my case, this will be equivalent to determining whether there are differences in the mean values of the ES dimensions between two groups of firms, which can be classified in some intelligible manner.

To develop the construct of entrepreneurial orientation, Short et al. (2012) used two sample frames—S&P 500 and Russell 2000. In my case, I discussed earlier why I was unable to adopt a similar approach and suggested why one can compare US-based MNEs with US domestic firms instead. Of particular support to this idea is the notion that the business cultures of countries vary regarding the manner in which firms attend to stakeholders. For example, code-law countries, characterize a stakeholder-oriented business culture, whereas common-law countries describe a shareholder-oriented business culture (Ball et al., 2000). Also, a multitude of studies explicates differences in the effects of the country-level institutional environments across the world concerning the stakeholder approach of firms (Hall & Sockice, 2001; Whitley, 2007). In light of the above, I proposed to compare the mean scores of US-based MNEs with the mean scores of US non-MNE firms who reported GRI in the year 2011. While differences on some of the ES components can be observed, I believe that the total ES mean scores between those two groups of firms will not be significantly different due to domestic institutional influences. At the same time, however, I expect the total ES scores between the MNE and the US sample of firms to differ. The ANOVA results are presented in Table 7.

With some exceptions in the individual ES components (e.g., activists, competitors, financiers/owners, and the natural environment) there are no significant differences in the overall mean values of the ES dimensions between the US-based MNEs and the US domestic firms. In contrast, there are differences between MNEs and US firms—the most significant being in the area of executives' attention intensity regarding the community, competitors, employees, the government, and the natural environment. It is interesting to note that the differences in the means of the ES scope components and not those in the ES type components drive the statistical significance of this test. This means that executives of US domestic firms and US-based MNEs differ in the types of stakeholders

they attend to. However, they are similar in the intensity with which they attend to their chosen stakeholders.

Table 7. ANOVA Comparison of Enterprise Strategy Components of US-based MNEs with US-based Firms and MNEs with US-based Firms

ES component	US MNEs and US Domestic firms				MNEs and US firms			
	US MNEs (*N*=90)	US (*N*=119)	*F* Test	*Sig*	MNE (*N*=230)	US (*N*=209)	*F* Test	*Sig*
Total	.0881	.0910	.77	0.38	.0824	.0897	12.44	*.00*
Activists	.0004	.0002	3.42	*0.07*	.0004	.0003	.28	.60
Certification	.0008	.0011	.46	0.50	.0013	.0010	1.30	.26
Community	.0121	.0105	2.57	0.11	.0084	.0112	18.71	*.00*
Competitors	.0001	.0002	2.88	*0.09*	.0003	.0002	6.80	*.01*
Customers	.0054	.0063	1.98	0.16	.0063	.0059	.72	.40
Distributors	.0002	.0004	1.27	0.26	.0004	.0003	.95	.33
Employees	.0076	.0064	2.18	0.14	.0058	.0069	4.66	*.03*
Government	.0006	.0009	1.72	0.19	.0010	.0008	3.35	*.07*
Managers	.0059	.0055	.48	0.49	.0061	.0057	1.02	.31
Nat. environment	.0150	.0203	9.19	*0.00*	.0139	.0180	12.91	*.00*
Owners/Fin	.0008	.0013	5.29	*0.02*	.0009	.0011	1.85	.17
Suppliers	.0009	.0007	.92	0.34	.0009	.0008	.31	.58
Unions	.0001	.0002	.98	0.32	.0002	.0002	.30	.58
Defensive	.0146	.0136	1.09	0.30	.0142	.0140	.08	.77
Offensive	.0235	.4192	.76	0.38	.0222	.2488	1.12	.29

Note: ANOVA=Analysis of Variance. The components of the Enterprise Strategy are standardized to account for the stakeholder letter size

Dimensionality

Dimensionality (a.k.a. discriminant validity) refers to the degree to which each item (in this case word) within a dimension is strongly associated with all the other items of the same dimension and whether they are not highly correlated with items that define other construct dimensions. Such uni-dimensionality can be established typically by conducting either a confirmatory or an exploratory factor analysis as suggested by Hair et al. (2010).

The procedure advocated by Short et al. (2010); however, proposed the examination of the correlation matrix for that purpose when constructs are developed using content analysis. Low correlations among the ES dimensions will provide evidence that the ES is indeed a multidimensional construct. The rule of thumb to demonstrate dimensionality is that no correlation among dimensions is higher than 0.40 (Short et al., 2010). The correlation between the ES scope (i.e. the total score of the number of stakeholders attended to) and ES type (i.e. the total score of the defensive/offensive components) in

the MNE sample is .279 ($p<.01$). The correlation between the ES dimensions for the US sample is .342 ($p<.01$). The inter-correlations of the individual ES components for the two samples are presented in Table 8.

Predictive Validity: Testing the ES typology of Meznar and Colleagues

Predictive validity shows whether the correlations among the constructs in a measurement theory make sense, by identifying whether they are in the expected direction (Hair et al. 2010). Short et al. (2010), on the other hand, demonstrated predictive validity by testing whether the focal construct is linked with other constructs in a way suggested by an existing theory. The use of constructs that can be measured via established sources for archival data is preferred for such tests. Organizational financial performance is an important variable in strategic management, because historically, the primary interest in this field has been on the antecedents of a firm's financial performance. Unfortunately, there are no studies explicitly linking the ES to the firm's financial performance, although Meznar et al. (1991) briefly commented on the idea that an exclusive financial focus may determine the viability of the firm in the short run. However, it is only in the long run that the concern for the social costs and value of stakeholders in general in combination with an interest in the firm's economic performance will pay off.

In light of the discussion above, to demonstrate predictive validity, I assess whether the categories of ES developed by Meznar et al. (1991) are linked, in any meaningful, way to some theoretically suggested construct other than financial performance. First, to observe the distribution of the sample along the ES dimensions, and thus, generically test Meznar's et al. (1991) ES typology, I conducted a median split along the two ES dimensions. This was followed by a quantitative and qualitative validation of the typology.

The dimensions were split in the following way. Regarding ES scope, I dichotomized each individual stakeholder score assigning 0 if the stakeholder was not mentioned and 1 if the stakeholder was mentioned at least once. The total number of stakeholder dimensions examined is 13. The median for ES scope was 7; that is, half of the firms reporting included in my analysis mentioned more than 7 stakeholders and half of the

Table 8. Inter-correlations of Enterprise Strategy (ES) Components

ES Components		1	2	3	4	5	6	7	8	9	10	11	12	13	14
MNE (*N*=230)															
1	Activists														
2	Certification	.11*													
3	Community	.12*	.10												
4	Competitors	.14*	-.16**	-.08											
5	Customers	-.07	-.16**	-.22***	.14*										
6	Distributors	-.08	-.07	-.03	.02	.07									
7	Employees	.07	.02	.06	-.04	-.17	.04								
8	Government	.51***	-.04	.05	.08	-.05	.04	-.01							
9	Managers	.07	.01	-.12**	-.12	-.01	.04	-.01	-.04						
10	Nat. envir.	-.06	.05	-.01	.06	-.19	.01	.05	-.06	-.19**					
11	Owners/Fin	-.06	.05	-.10	-.02	.09	.06	-.03	-.03	.00	-.15**				
12	Suppliers	-.07	.06	.04	-.12	.14**	.00	-.12*	-.11	.03	-.05	.04			
13	Unions	-.02	.09	.09	-.06	-.14	-.04	.04	-.09	.07	-.02	-.09	.06		
14	Defensive	.05	.07	.06	-.06	-.12	.03	.25***	.11*	-.13*	.30	-.17**	-.03	.03	
15	Offensive	-.04	.03	-.05	.04	.29***	.01	-.01	-.14**	.05	.02	.10	.02	-.02	-.010
US (*N*=209)															
1	Activists														
2	Certification	-.03													
3	Community	.06	.29***												
4	Competitors	-.02	.19**	-.04											
5	Customers	-.10	-.19***	-.08	.00										
6	Distributors	-.10	.19**	-.08	.09	-.01									
7	Employees	.08	-.02	.13*	-.03	-.03	-.04								
8	Government	.38***	.26***	.04	.20***	-.12*	.22***	.04							
9	Managers	-.04	.20***	-.05	.06	-.11	.28***	-.05	.15*						
10	Nat. envir.	-.03	-.09	-.13*	-.09	-.08	-.02	.02	.00	-.18**					
11	Owners/Fin	-.10	-.03	-.10	.09	.20**	.02	.08	.09	-.02	-.05				
12	Suppliers	-.06	.21***	.03	.06	.05	-.10	.09	-.08	-.07	-.09	.00			
13	Unions	-.02	.39***	-.12*	.19**	-.15**	.57***	-.02	.44**	.39**	-.04	.02	-.08		
14	Defensive	-.02	0.12*	-.02	.12*	-.08	.09	.15**	.00	.04	.35***	-.11*	.00	.15**	
15	Offensive	-.03	.41***	-.11	.24***	-.09	.57***	-.08	.41***	.39***	-.10	.05	-.04	.91***	0.11*

***$p<.01$; **$p<.05$; *$p<.10$

firms mentioned less than 7 stakeholders. I broadly assumed that scores below the median represent narrow ES scope, whereas those greater than 7 represent a broader ES scope.

Similarly, for ES type, I calculated the median of the difference between the value of language reflecting an offensive ES and that reflecting a defensive ES. The median here was approximately .01. Based on this, I broadly assume that if the excess of the difference is above 1% of the text, then the type of ES strategy is more proactive (i.e., Offensive). For scores less than 1% of the text, the strategy was assumed to be reactive (i.e., Defensive). The median split analysis yielded four distinctive clusters of MNEs with fairly even distributions, which suggests some preliminary support for the proposed 2 x 2 ES typology. Figure 3 shows the distribution of the observations per cluster. I noticed a slight concentration of observations in the Broad Offensive ES cluster at the expense of the Narrow Offensive cluster. The Defensive ES types are fairly equally distributed.

Figure 3. Cluster Membership for MNEs (N=320)

	Narrow	Broad
Defensive	*N*=71 (22.2%)	*N*=89 (27.8%)
Offensive	*N*=60 (18.8%)	*N*=100 (31.2%)

Cluster 1 represents firms that scored above the median on ES scope and below the median on ES type (i.e. Broad Defensive ES). Cluster 2 comprises firms with scores below the median for ES scope and above the median for ES type (i.e. Narrow Offensive ES). Cluster 3 represents firms with ES scope and type scores below the median (i.e. Narrow Defensive ES), whereas Cluster 4 comprises firms with ES scope and type scores above the median (i.e. Broad Offensive ES)

I explored the differences between the emerging clusters in terms of the various stakeholders attended to and the degree of ES proactiveness using ANOVA and post hoc Tukey tests.

Table 9 shows the means and standard deviations of the ES components. There were no significant difference in the certification, community, employees, managers, suppliers, and unions stakeholder intensity attention. There were significant differences in the attention intensity regarding the following stakeholder components—activists (F=12.95, p<0.01), competitors (F=7.09, p<0.01), customers (F=7.92, p<0.01), distributors (F=3.79, p<0.05), government (F=12.42, p<0.01), natural environment (F=2.58, p<0.1), owners (F=10.61, p<0.01), and ES proactiveness (F=162.24, p<0.01).

Table 9. Characteristics of the MNEs Enterprise Strategies by Cluster

ES components	Broad Defensive (N=89)		**Narrow Offensive (N=60)**		Narrow Defensive (N=71)		**Broad Offensive (N=100)**		ANOVA F*	**Difference b/n clusters (Tukey)**
	Mean	SD	**Mean**	**SD**	Mean	SD	**Mean**	**SD**		
Activists	.001	.001	**.000**	**.000**	.000	.000	**.000**	**.001**	12.95***	**1>2,3; 4>2,3**
Certification	.001	.002	**.001**	**.002**	.001	.002	**.001**	**.002**	.40	
Community	.010	.006	**.010**	**.007**	.009	.006	**.009**	**.006**	1.20	
Competitors	.000	.001	**.000**	**.000**	.000	.000	**.000**	**.001**	7.09***	**1>3; 4>2,3**
Customers	.005	.004	**.006**	**.006**	.005	.005	**.008**	**.005**	7.92***	**4>1,3**
Distributors	.000	.001	**.000**	**.001**	.000	.001	**.000**	**.001**	3.79**	**4>2,3**
Employees	.007	.005	**.007**	**.007**	.006	.005	**.006**	**.005**	2.10	
Government	.002	.002	**.000**	**.001**	.000	.002	**.001**	**.001**	12.42***	**1>2,3,4; 2,3>4**
Managers	.006	.003	**.006**	**.005**	.006	.005	**.006**	**.004**	.40	
Nat. Envir.[1]	.015	.013	**.013**	**.010**	.016	.011	**.012**	**.010**	2.58*	**3>4**
Owners/Fin	.001	.001	**.001**	**.001**	.000	.001	**.001**	**.002**	10.61***	**4>1,2,3; 1>3**
Suppliers	.001	.001	**.001**	**.002**	.001	.002	**.001**	**.001**	.60	
Unions	.000	.001	**.000**	**.001**	.000	.001	**.000**	**.000**	1.10	
ES type[2]	.000	.007	**.019**	**.009**	-.001	.008	**.017**	**.007**	162.24***	**2>1,3; 4>1,3**

*† p<.10; * p<.05 ** p<.01, *** p < .001

[1] Natural Environment; [2] The degree of proactiveness of the ES (offensive vs. defensive)

Following the identification of the ES clusters, I conducted a quantitative validation of the ES. As mentioned above, empirical investigation of the ES is sparse. Because I rely on public announcements (i.e. stakeholder letters) to develop my ES measure, I perceived that the voluntary disclosure theory can inform my investigation. This theory posits that firms voluntarily reveal information about their social and environmental stance in order

to ensure that stakeholders understand the appropriateness of the firm's position on important social and environmental issues (Clarkson, Richardson, & Vasvari, 2008; Brammer & Pavelin, 2004). In other words, "good" firms will reveal themselves more to their stakeholders, whereas "bad" firms will shy away from that (Mahoney, Thorne, Cecil, & LaGore, 2013). Therefore, MNEs with more stakeholder-friendly ES (i.e., Broad Offensive) will be more transparent to their stakeholders than MNEs with less stakeholder-friendly ES (i.e., Narrow Defensive).

To measure the level of transparency towards stakeholders, I used Bloomberg's ESG Disclosure score. Bloomberg defines the ESG Disclosure score as

> a proprietary Bloomberg score based on the extent of a company's Environmental, Social, and Governance (ESG) disclosure. Companies that are not covered by ESG group will have no score and will show N/A. Companies that do not disclose anything will also show N/A. The score ranges from 0.1 for companies that disclose a minimum amount of ESG data to 100 for those that disclose every data point collected by Bloomberg. Each data point is weighted in terms of importance, with data such as Greenhouse Gas Emissions carrying greater weight than other disclosures. The score is also tailored to different industry sectors. In this way, each company is only evaluated in terms of the data that is relevant to its industry sector.

In my analysis, I also control for industry type (manufacturing versus service), firm profitability (net income), firm size (logarithm of employees), and female representation on the Board of Directors (number of female directors on the board) since the presence of women on the BOD has been linked to greater concern for stakeholders (Marquis & Lee, 2013). The means, standard deviations, and Pearson correlation coefficients of the variables are presented in Table 10. I found support for the hypothesized relationship that a more stakeholder-friendly ES will result in greater disclosure. The results of the hierarchical regression analyses are presented in Table 11.

To further explore discrepancies in the ES outcomes, I qualitatively examined the four ES clusters. For that purpose, I selected a company from each cluster and qualitatively assessed its ES, using a case-based approach. In the selection of appropriate cases for this examination, I controlled for country- and industry- level influences on the ES by establishing the following criteria: 1) the MNEs have to be headquartered in the same country and 2) the MNEs have to be from similar industries. Ample information in the English language is available for MNEs based in the US. Therefore, I chose 4 US-based MNEs to explore differences in their ES approach—McDonald's (for Narrow

Table 10. Means, Standard Deviations, and Pearson Correlations Coefficients of Variables Used in the Predictive Validity Analysis

Variable	Mean	S.D	N	1	2	3	4	5
1. Net Income	2071.08	4758.63	217					
2. Manufacturing	.52	.50	221	.10				
3. ESG Disclosure Score	42.71	13.81	220	.278**	.15*			
4. Employees (Log)	4.29	.69	211	.402**	-.09	.29**		
5. Enterprise Strategy	3.11	.73	221	.09	-.05	.09	.02	
6. Women on Board	1.47	1.19	217	.10	-.23**	.18**	.27**	-.02

*p<.05; **p<.01

Table 11. Hierarchical Regression Analysis for the Enterprise Strategy as a Predictor of ESG Disclosure Scores

	1	2
Manufacturing	.20**	.21**
Employees (Log)	.19**	.19**
Net Income	.16*	.15*
Women on Board	.14*	.15*
Enterprise Strategy		.14*
Adj. R^2	.13	.15
F value	8.87**	8.20**

*p<.05; **p<.01

Defensive ES), Target (for Narrow Offensive ES), Wal-Mart (for Broad Defensive ES), and Staples (for Broad Offensive ES). Although the selection of the firms was constrained by the limitations of the sample outlined below, all four firms are defined by the Securities and Exchange Commission to be in the retail industry. Specifically, Target and Wal-Mart are both in retail—variety stores (SIC: 5331); Staples is in retail—miscellaneous shopping goods (SIC: 5940); and McDonald's is in retail—eating places (SIC: 5892).

Some of the tangible criteria that outline the ways in which the ES of an organization is manifested include mission and vision statements, broader value orientation, codes of ethics, actual ethical conduct, committees on social audits, corporate philanthropy, partnerships and alliances (Steyn & Niemann, 2010). At the same time, however, I was interested in identifying a set of criteria, which speak to the kind of ES a given firm has

adopted and also allow one to systematically analyze and compare the ES of our four cases. Because the ES integrates the economic and social performance of the firm (Freeman, 1984), I decided that the use of comprehensive ratings which evaluate the firms in all three areas of life (economic, social, and the natural environment) is warranted. The differences in the four cases along selected criteria are summarized in Table 12. I have included some general descriptive company characteristics. The sources of information I utilized to develop my cases are provided in Table 13.

McDonald's (Narrow Defensive ES)

McDonald's is an MNE that was founded in the USA in 1940. With a mission to be their "favorite place and way to eat and drink,"[16] the company communicates a narrow stakeholder focus dominated by customer needs. According to its corporate website, the company pursues a global corporate strategy supported by operations standardization through a network of franchisees which ensures a uniform taste across the world. Furthermore, McDonald's is largely immune to potential pressures from suppliers. For many of them (e.g., Golden State Foods, Martin-Brower, and J.R. Simplot) it constitutes nearly all of their business (Corporate Affiliations, 2013a). An effective marketing campaign is the linchpin of McDonald's ability to maintain dominance in the global fast-food dining industry. In addition to customers, McDonalds claims to value its employees, the ethical conduct of business, and giving back to the community. Nevertheless, it perceives these values as a path to continually improving and growing profitably (McDonald's website).

McDonald's is the second largest of the four companies examined here based on the number of employees and profit, but it has the greatest geographic reach (118 countries). The company was not included in the Corporate Responsibility Magazine ranking of the most responsible companies in 2011 or in 2012. It had the lowest green score (of the four cases examined here) in the *Business Week* ranking in both 2011 and 2012 and it became an EPA Power's Partner for its use of "green" power in 2012 (in comparison to Staples, who became a partner 10 years earlier). According to Goodness500—an enterprise concerned with assessing the social responsibility of the most powerful corporations—

[16] Source: http://www.aboutmcdonalds.com/mcd/our_company/mission_and_values.html

Table 12. Summary of the Four-Case Comparative Analysis of the Enterprise Strategy

		Narrow Defensive	Narrow Offensive	Broad Defensive	Broad Offensive
Theme	Criteria	**McDonald's**	**Target**	**Wal-Mart**	**Staples**
GENERAL	2011 # employees (thousands)	440	361	2,200	85
	Age (in years)	73	111	51	27
	Geographic reach (# of countries)	118	2	27	26
	G500 Ranking (rank)	52	195	11	395
	Women in Management (%)	28	29	19	31
	Women on the Board (%)	21	36	20	17
	Board Size (# of members)	14	11	15	12
	Board Average Age (years)	62	57	60	59
	Board of Directors Age Range (years)	33	21	27	21
	Independent Directors (%)	86	91	67	92
	Board Meetings Per Year (count)	8	5	4	4
	CEO tenure (years)	7	3	2	9
ECONOMIC	2011 Revenue (in $ million)	27,000	70,000	447,000	25,000
	2011 Operating Profit (in $ million)	15,300	22,000	111,800	6,700
	2011 Net Profit (in $ million)	5,500	3,000	15,700	1,000
	2011 Total Assets (in $ million)	33,000	46,600	193,400	13,400
	2011 Market Cap (in $ million)	102,500	33,500	209,700	11,100
SOCIAL	2011 CR Ranking	Not ranked	42	95	55
	2012 CR Ranking	Not ranked	64	Not ranked	49
	Corporate giving (% profit)	0	5	2	0.4
	Glassdoor employee ranking (out of 5)	3	3.3	2.9	3
	2011 Social Disclosure Score	12	23	23	33
NATURAL ENVIR.	2011 Green Score	49	52	64	71
	2012 Green Score	50	63	68	74
	EPA's Green Power Partner Since (year)	2012	Never	2009	2002
	2011 Environmental Disclosure Score	7	44	26	48
TOTAL	2011 ESG Disclosure Score	19.6	43.1	34.9	46.4

Table 13. List of Sources Used in the Four-Case Comparative Analysis of the Enterprise Strategy

Theme	Criteria	Source
GENERAL	2011 # employees	Mergent Online
	Age	Company website
	Geographic reach	Company website
	Global 500 Ranking	CNN Money
	Women in Management	Company website
	Women on the Board	Proxy statements
	Board Size	Proxy statements
	Board Average Age	Bloomberg proprietary data
	Board of Directors Age Range	Bloomberg proprietary data
	Independent Directors	Proxy statements
	Board Meetings Per Year	Proxy statements
	CEO tenure	Bloomberg proprietary data
ECONOMIC	2011 Revenue	Annual Report
	2011 Operating Profit	Annual Report
	2011 Net Profit	Annual Report
	2011 Total Assets	Annual Report
	2011 Market Cap	Annual Report
SOCIAL	2011 CR Ranking	Corporate Responsibility (CR) Magazine Ranking Corporate Citizenship
	2012 CR Ranking	Corporate Responsibility (CR) Magazine Ranking Corporate Citizenship
	Corporate giving	goodness500.org
	Glassdoor employee ranking	glassdoor.com
	2011 Social Disclosure Score	Bloomberg proprietary data
NATURAL ENVIR.	2011 Green Score	Newsweek Green Rankings
	2012 Green Score	Newsweek Green Rankings
	EPA's Green Power Partner Since	Green Power Partnership list
	2011 Environmental Disclosure Score	Bloomberg proprietary data
TOTAL	2011 ESG Disclosure Score	Bloomberg proprietary data

McDonald's philanthropy as a percentage of profit was zero. McDonald's philanthropic activities are not associated with firm-specific capital outlays. In 2011, the company's estimated philanthropic contributions were $24 million. However, this amount was accumulated through Ronald McDonald House Charities, based on raising money through donation boxes supplied in restaurants. Consequently, there was no direct monetary outlay on the part of the organization towards any philanthropic contributions.

Overall, judging by its ESG score, McDonald's is the least transparent and the least committed corporation to non-financial stakeholders. Overall, the comparative qualitative analysis is consistent with the quantitative predictive validity—McDonald's seems to have lower third-party rankings and poorer non-financial performance than the other three companies in this analysis. Furthermore, the generation of the highest net profit as a percentage of the total revenue (20.4%) in comparison to the other companies speaks to McDonald's focus on profitability and supports the case for a Narrow Defensive ES.

Staples (Broad Offensive ES)

Staples was founded in 1986. It focuses on consumer retail products for business and office supplies. The delivery business in North America supports a large part of the company's growth (40% of sales). In 2008, Staples made a critically important strategic move to acquire Corporate Express, which is expected to become a key growth driver. The company's current strategy characterizes the development of smaller stores for urban and other niche markets (Corporate Affiliations, 2013b).

Staples' mission is "finding the soul in the selling of office supplies.[17]" Its corporate values focus on four pillars: ethics, community, environment, and diversity (Staples, 2013). Staples is the smallest of the four companies examined here based on profitability and the number of employees, but it has the second greatest geographic reach (26 countries). In comparison to the other three companies, in 2011 and 2012 Staples was ranked second and first, respectively, by the Corporate Responsibility Magazine ranking of the most responsible companies. Also, it had the highest green score in the Business Week Ranking in both 2011 and 2012 and became an EPA Power's Partner in 2002 (earlier than any of the other companies). The organization was recognized as an ENERGY STAR partner of the year for a second year in a row, hosting 36 solar installations at its facilities and deploying 53 all-electric trucks in the delivery fleet.

Judging by its ESG score, Staples is the most transparent and committed corporation in terms of social and environmental performance, and in 2011, the company had the best representation of women in management. Although its philanthropy as a percentage of profit was only 0.4% (Goodness 500), which is lower than Target and Wal-Mart, but higher than McDonald's, together with Wal-Mart, Staples generated the lowest amount of

[17] Source: http://www.staples.ca/sbdca/en_CA/cre/marketing/staples_soul/

profit as a percentage of sales. Nevertheless, the company has the highest third-party rankings and the best non-financial performance in comparison to the other three companies. This trade-off among economic, environmental, and social performance, is markedly different from that of McDonald's, and is consistent with the case of a Broad Offensive ES.

Target (Narrow Offensive ES)

Target was founded in 1902. In 2011, the company initiated a rapid expansion into the Canadian retail market, opening new formats that devote more space to food, and introducing an exclusive line of cookware from Food Network chef Giada De Laurentiis. Also, Target recently acquired Smith & Hawken, a producer of upscale patio furniture and gardening products (Corporate Affiliations, 2013c).

Target's mission is to make Target the "preferred shopping destination in all channels by delivering outstanding value, continuous innovation and exceptional guest experiences.[18]" The company's values comprise "design for all, great guest service, more for customers' money, a fun and rewarding place to work, celebrating diversity and inclusion and a legacy of giving and service" (Target's website).

Target is the third largest company I investigate based on the number of employees and profit, but it has the poorest geographic coverage of 2 countries only. When compared to the other three organizations, the company had the highest and the second highest ranking in the Corporate Responsibility Magazine ranking of the most responsible companies in 2011 or in 2012, respectively. Also, it had the third highest green score (of the four cases examined here) in the Business Week Ranking in both 2011 and 2012. However, unlike the other three companies, it is still not an EPA Power's Partner. At the same time, however, the Target has set a goal to reduce waste by 15% by the end of the 2015 fiscal year, joined the EPA's GreenChill program aimed at reducing refrigerant emissions and decrease environmental impact. It also has some 500 stores that have earned ENERGY STAR certifications granted by the EPA for the use of law-wattage light fixtures, LED lights and motions sensors in refrigerators and other energy-saving initiatives. According to Goodness500, Target's philanthropy as a percentage of profit was the highest—5.5%.

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[18] Source: https://corporate.target.com/about/mission-values

The ESG score shows that Target is the second most transparent corporation in social and environmental performance. Overall, the comparative qualitative analysis is adequately consistent with the quantitative predictive validity, placing Target in a category of companies characterizing a Narrow Offensive ES.

Wal-Mart (Broad Defensive ES)

Wal-Mart was founded in 1962. Beginning 2011, the company underwent some major corporate restructuring of its US organization, the formation of a new division, e-Commerce, responsible for e-commerce and a new global-sourcing partnership with Hong Kong-based Li & Fung. Due to its lack of success in the US urban markets, Wal-Mart focuses on its international expansion. However, the involvement of Wal-Mart de México, the company's Mexican subsidiary, in a bribery scandal is a serious blow to the company and its leadership. Mexico is Wal-Mart's largest foreign market, but the company is growing quickly in numerous other countries in Latin America, including Chile and Brazil, where it operates 316 and 512 stores, respectively (Corporate Affiliations, 2013c).

According to the company, Wal-Mart's mission is to "help people save money so they can live better.[19]" In relation to their stakeholder focus, generally, the company focuses on giving good service to customers, respect for the individual, and striving for excellence (Wal-Mart's website).

Wal-Mart is the largest of the four companies examined here based on the number of employees and profit, and it is rapidly growing to gain the second greatest geographic reach of 27 countries. When compared to the other three organizations, the company had the second lowest ranking in the 2011 Corporate Responsibility Magazine ranking of the most responsible companies; it was not ranked in 2012. Also, it had the second highest green score (of the four cases examined here) in the Business Week Ranking in both 2011 and 2012 and became an EPA Power's Partner in 2009. According to Goodness500, Wal-Mart's philanthropy as a percentage of profit was the second highest—1.7%.

Overall, judging by its ESG score, Wal-Mart has the second lowest transparency score in the social and environmental performance. In 2011, the company had the worst representation of women in management and the second worst female representation on

[19] Source: http://corporate.walmart.com/our-story/

the Board of Directors. Overall, however, the comparative qualitative analysis is adequately consistent with the quantitative predictive validity, placing Wal-Mart in the group of companies with a Broad Defensive ES.

SUMMARY

The primary objective of this study was to develop a reliable and valid measure of the ES—a construct which reflects the relationship of the firm with society as a whole (Freeman, 1984). I took the first serious look at the ES (since its inception in 1984) to develop and validate an empirical measure for it. Using the two theoretically developed dimensions of the ES, I conducted a computer-aided text-based analysis of stakeholder letters by senior managers of 439 US and multinational firms. I collected those letters from GRI reports. My investigation demonstrated that the stakeholder letters contain a language which reflects those dimensions. Based on that, I was able to construct a dictionary of words that can be used to assess a firm's ES. Additionally, I tested the ES typology suggested by Meznar et al. (1991) and found a preliminary support for the existence of the suggested ideal types of ES.

Previous conceptual work in the area of the ES has argued that there are two dimensions of ES: (1) scope and (2) type. ES scope is conceptualized as "the environment to which a firm adds value" (Meznar et al., 1991:53). It is the set of stakeholders that the company selects as salient. The ES scope comprises a continuum varying from narrow (for a small set of stakeholders) to broad (for a vast set of stakeholders). ES type is traditionally conceptualized as "the types of value a firm adds" (Meznar et al., 1991:53). It portrays whether the firm tends to develop reactive or proactive relationships with its stakeholders. The ES type characterizes a continuum varying from defensive to offensive. Taken together, these two dimensions form four ideal types of ES: (1) Narrow Defensive, (2), Narrow Offensive (3), Broad Defensive, and (4) Broad Offensive.

ESSAY 3: MULTI-LEVEL ANTECEDENTS OF THE ENTERPRISE STRATEGY FOR MULTINATIONAL FIRMS

INTRODUCTION

Research on stakeholder management indicates a high level of benefits and challenges to firms. Stakeholder management has been associated with a number of advantages, including greater value for shareholders (Hillman & Keim, 2001), increased financial performance (Berrone, Surroca, & Tribo, 2007), social legitimacy (Heugens, van den Bosch, & van Riel, 2002), and improved firm reputation (Bear, Rahman, & Post, 2010).

However, some have argued that diverting company resources to non-profit-generating activities—i.e., social programs and corporate philanthropy—intended for non-core stakeholders, represents a tax on consumers and investors and is an overall loss of societal wealth (Friedman, 1970). Also, such activities remain largely disconnected from the core business policies and practices of the firm (Knox & Maklan, 2004). Stakeholder management can have a potentially damaging effect on the firm's financial performance based on negative reactions in the stock market leading to reductions in the firm value (Meznar, Night, & Kwok, 1994). These findings indicate that the management of stakeholder relationships has much to contribute to organizations; however, it must be better understood.

Together with the equivocal findings on the outcomes of stakeholder management, the comprehension of its determinants remains incomplete. Some scholars have argued that, exogenous factors such as normative, cognitive, and regulatory institutional arrangements (Campbell, 2007; Kacperczyk, 2009) or stakeholder characteristics like the power, legitimacy, and urgency of the stakeholders and their claims (Mitchell, Aagle, & Wood, 1997; Eesley & Lenox, 2006) can explain the differences in the ways firm address their stakeholders' concerns. Others promote the role of firm-level factors such as managerial cognition (Crilly & Sloan 2012; Crilly, Zollo, & Hansen, 2012). Crilly (2012), however, discussed the need to account for the interaction between the internal and external factors, which shape the strategic responses to stakeholder needs.

One particularly understudied but promising area of the stakeholder management literature is that of the multinational enterprise (MNE). The strategic decisions of MNEs concerning stakeholder relations are often difficult to gauge because MNEs operate in complex environments (Kostova and Zaheer, 1999; Kostova, Roth, & Dacin, 2008) and interact with global, regional, and cross-country stakeholders (Rodriguez, Siegel, Hillman, & Eden, 2006). One way to cope with such complexity is through the introduction of variety in the knowledge domains, perspectives, values, and ideas among the members of the top management team (TMT) and the board of directors (BOD).

In highly competitive environments—such as the international business environment— and in the absence of complete information, corporate top decision-makers—i.e., TMT and BOD—often resolve complexities using their existing knowledge structures, instead of current information (Johnson, 1988; Walsh, 1995). The assumption, then, is that cognitive diversity in the upper echelons of the MNE will bring about a handy supply of ideas, creative solutions, quality decision-making, and diverse information to help the firm effectively adjust to its multi-layered stakeholder environment.

Studies concerning the effects of BOD and TMT composition on the social responsibility outcomes of the firm often use demographics as proxies for managerial cognition since "ethical values vary among different demographic characteristics" (Post, Rahman, & Rubow, 2013:190). For example, board diversity can positively affect the firm's corporate giving (Williams, 2003), reduce the levels of environmental litigation (Kassinis & Vafeas, 2006), and improve the quality of the employee relations (Bernardi, Bosco, & Vassill, 2009). Similarly, TMT diversity can positively influence social outcomes such as philanthropy (Murray-Rust, 1995), bring about social change (Giacomino, Fujita, & Johnson, 2000), and increase stakeholder satisfaction (Ruigrok & Wagner, 2001).

At the same time, however, the institutional argument of a firm's stakeholder engagement posits that the executives' perceptions of stakeholder importance to a multinational firm are partly influenced by the institutional embeddedness of that firm (Campbell, 2007; Matten & Moon, 2008). Even though many firms intensely globalize, they remain largely reliant on their local environment for competitive advantages and

renewal (Rugman & Verbeke, 2004). Far from being "nationless," MNEs remain entrenched in their home-country's institutional environments (Whitley, 2007), which define their stakeholder preferences. In summary, past research indicates that the upper echelons (i.e., internal environment) and the institutional embeddedness theory (i.e. external environment) taken together can both inform the stakeholder management of the MNE.

The complexity of studying the management of stakeholder relationships in MNEs, however, have also produced stakeholder research characterizing simplified proxies for stakeholder management, such as "shareholder vs. stakeholder" orientation (Crilly, 2011), "shareholderism vs. stakeholderism" (Adams, Licht, & Sagiv, 2011), and "global vs. local" corporate social responsibility (Husted & Allen, 2006). What is missing from the stakeholder literature is a more comprehensive theoretical framework, which elucidates the role of diversity in an MNE's strategic stakeholder outcomes. Such a framework will focus on the *scope* of stakeholder to be attended to (i.e., shareholders vs. other stakeholders, or local vs. global) and the *type* of benefits to be offered (offsetting costs vs. creating benefits). These two dimensions are captured by the construct of the enterprise strategy (Freeman, 1984).

The enterprise strategy (ES) is the overarching organizational strategy (Schendel & Hofer, 1979) which can be seen as an attempt of the organization to integrate with its social environment as a whole (Hillman et al., 2001). As such, in comparison to other stakeholder outcomes used so far in the international business literature, the ES has the potential to offer a deeper and richer insight into the form of stakeholder management of multinational firms. Therefore, the operationalization and study of causal factors associated with the ES should be of a high priority. In relation to the above, the present study explores some of the firm- and country-level *diversity* antecedents of an MNE's response to stakeholders via its ES. Specifically, I ask: How does the national context and strategic leadership diversity influence the ES of multinational firms? I attempt to address this question by investigating the effects of MNE's upper echelons (i.e., top management and board of directors) diversity factors on the ES. Using arguments concerning institutional embeddedness (Polanyi, 1944; Granovetter, 1985), I also explore the moderating role of the host-country's diversity orientation captured by the national

political culture as it is reflected in the religious fractionalization of the firm's home country.

The assessment of diversity in upper echelons is largely dependent on demographic variables such as, age, tenure, function, gender, nationality, education, and industry experience. One of the primary criticisms, however, of using the demographic composition of BODs and TMTs to examine the impact of managers' and directors' judgment values on various firm outcomes is that such outcomes are "too far removed" from the influence of boards and top managers (Hillman et al., 2001:296). To avoid such criticism, I examine the relationship between MNEs' TMT gender diversity, TMT functional diversity, BOD gender diversity, and BOD stakeholder representation because of their more "proximal relationship" (Hillman et al., 2001:296) to the dependent variable. These demographics have a more direct link to the company's current stakeholders than other demographic characteristics that are well-studied in the upper echelons' literature (i.e. age, tenure, educational background, and industry experience), because each one of those characteristics represents a given stakeholder group.

After reviewing the current state of the literature on TMT and BOD diversity antecedents of stakeholder outcomes, I develop my hypotheses concerning the relationship between the upper echelons' diversity characteristics and the ES. Then, I discuss the embeddedness of MNEs and theorize about the moderating role of the MNE's home-country religious fractionalization on the relationship between our upper echelons' variables and the ES. Finally, I test my hypotheses, present the results, discuss my findings, lay out the limitations of this study, and propose a path forward.

THEORY AND HYPOTHESES

The Nature and Salience of Enterprise Strategy

The ES portrays "how the firm legitimizes its existence and ensures its future by trying to create something of value to all of its relevant stakeholders" (Meznar, Chrisman, & Carroll, 1991:333). The empirical research in the area of the ES is very limited; however, past theoretical work has argued that there are two ES dimensions: (1) scope and (2) type. ES scope is conceptualized as "the environment to which a firm adds value" (Meznar et al., 1991:53), and is typically reflected as a continuum varying from narrow to broad. ES type is traditionally conceptualized as "the types of value a firm adds" (Meznar

et al., 1991:53), and is often characterized as a continuum varying from defensive to offensive.

For example, a firm which focuses on its shareholders and customers only and, in addition, promotes initiatives intended to minimize those stakeholders' costs, can be defined as having a Narrow Defensive ES. In comparison, a firm which focuses on shareholders, the community, the natural environment, and the suppliers and, in addition, tends to create some tangible value-generating benefits for those stakeholders will be said to have a Broad Offensive ES.[20] According to Meznar et al. (1991), the ES scope reflects the range of financial and non-financial entities an organization interacts with (e.g., shareholders, employees, suppliers, customers, NGOs, governments, the media, and the natural environment). The ES type mirrors the benefits provided by the firm to its stakeholders—economic/financial (such as corporate philanthropy), social and related to higher social good (such as endorsing selected causes), lower financial and social costs (typically, in response to dissatisfied stakeholders, which is, for example, the case of BP who invited stakeholders to generate ideas on how to prevent future spills and tested many of those ideas), and a combination of those (Meznar et al., 1991). Because the ES reflects a firm's level of integration with society, in the hypotheses, I use the term *enterprise strategy integration* to portray the dependent variable, where a high level of integration represents a broader and more proactive ES and low levels of integration portray a narrow and less proactive strategy.

Upper Echelons Diversity and Enterprise Strategy

Because the ES is the highest-level organizational strategy, decisions concerning the ES are made by the upper echelons of the firm. This is why it is reasonable to suggest that the characteristics of TMTs and BODs can affect the characteristics of the ES. I chose to explore diversity characteristics in particular for the following reasons.

Diversity is about similarities and differences between members of a team or group (van Knippenber, Dawson, West, & Homan, 2011). Diversity refers to "*the distribution of differences among the members of a unit with respect to a common attribute, X*"

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[20]The original classification contains two other ES types—*Accommodative Narrow* and *Accommodative Broad*. Firms characterizing the former ES care for the opinion of particular stakeholder groups and aggressively seek to avoid alienating those stakeholders. Firms characterizing the latter ES perceive themselves as "answerable-to-society-at-large" with respect to their operations. For the full definition of those, refer to Meznar, Christman, & Caroll (1990:336).

(Harrison & Klein, 2007:1200). There are two key views on the mechanisms by which diversity affects organizational outcomes. According to the first, which is largely rooted in the information processing literature (Bell et al., 2011), diversity may enrich the supply of ideas, the creation of unique approaches, and the variety of knowledge available to an organization, thereby enhancing the organization's creativity, quality of decision making, and complex performance (Williams & O'Reilly, 1998). This approach conceptualizes diversity as the presence of *variety* in the firm. The importance of diversity as variety is emphasized in more turbulent environments. The second view, which is largely influenced by the social categorization theory, posits that diversity fosters conflict and turnover, thereby diminishing morale, cohesion, and performance (McGrath et al., 1995; Williams & O'Reilly, 1998). This approach views diversity as the presence of *separation* in the firm. The challenges of diversity as separation are emphasized in more stable environments. Both perspectives have found an abundance of empirical support (Bell et al., 2011).

Gender and functional diversity might be conceptualized in terms of separation (horizontal differences associated with disagreement among team members, which hinder team performance) or as variety (differences, stimulating creativity and innovation with positive team outcomes) (Harrison & Klein, 2007). Following Harrison and Kelin's (2007) guidelines, I conceptualize diversity as variety; thus, broadly adopting the view that the differences among TMT and BOD members concerning their attitudes towards, knowledge about, and attention to stakeholders will result in and ES that is broader and more proactive to stakeholders. This choice logically follows from the context of my research question—MNEs operate in complex stakeholder environments, and one way to cope with complexity is through the introduction of variety among high-level decision-makers.

Upper echelons (UE) research views the organization as a reflection of its top level decision-makers. It concerns the effects of their personal characteristics (such as values, experiences, and demographics) on their strategic choices (Hambrick & Mason, 1984; Finkelstein, Hambrick, & Canella, 2009). To test the assumption that diversity enhances decision making in top management teams, for example, a recent meta-analysis showed that there is no underlying empirical effect of TMT diversity on performance (Homberg

& Bui, 2013). The performance outcome variables examined, however, concern issues such as financial performance, administrative innovation, strategic orientation, and communication. The research on firm stakeholder outcomes (such as CSR, CSP, corporate philanthropy, environmental CSR, environmental performance, and the like) was excluded from the analysis. The effects of gender diversity in upper echelons on stakeholder outcomes remain largely unclear (Kimball et al., 2012). Furthermore, my review of the literature (summarized in Appendix 5) indicates that studies in this area focus on two diversity outcome variables—corporate social performance and corporate philanthropy.

It has been suggested that the effects of gender diversity in upper echelons may be obscured by the lack of "critical mass" (i.e., more than 3 women on the BOD/TMT) in the upper echelons (Konrad, Kramer, & Erkut, 2008). For instance, although the number of women entering the workforce keeps growing, the female upper echelons remain underrepresented. In 2006, only 30% of S&P 1500 had at least one woman on the TMT/BOD, and there has been no change since that time (Dezso & Ross, 2012). Non-US-based firms reflect a similar reality. For example, male dominance holds at senior levels in the UK, where only one in four directors are female (Martin, Warren-Smith, Scott, & Roper, 2008). Countries like Japan, Italy, and Spain also have less than 5% of women on boards, whereas South Africa, Australia, and Germany have about 10% female directors (Grosvold, Brammer, & Rayton, 2007). As a result, the continuous research on the effects of gender composition on the social performance of the firm (especially when a critical mass effect characterizes the upper echelons) is warranted (Post et al., 2011).

Gender studies show that men and women have different approaches to problem-solving (Wood, 1987). Women are sensitive and prefer interpersonal relationships, whereas men focus on fact finding (Hoffman, 1965). A meta-analysis of 160 studies assessing the link between gender differences and moral orientation (Jaffee & Hyde, 2000) found that women are more likely to use care reasoning in general, meaning that they may recognize and cater to the needs of a broader set of stakeholders. Not only do women demonstrate a higher intention to act more ethically than men (Valentine &

Rittenburg, 2007), but they are also more prone than men to identifying situations requiring ethical judgment and to behaving ethically (Beu, Buckley, & Harvey, 2003).

It is commonly accepted that the increase in gender diversity on the BOD is generally beneficial to society, as companies will better reflect their stakeholder environment; therefore, businesses should view diversity as "a positive attribute in its own right rather than as a means to an end" (Grosvold, Brammer, & Rayton, 2007:346). The strategy argument for a greater female representation in upper echelons, however, is based on the assumption that there are some beneficial organizational outcomes when more women sit on TMTs and BODs. Empirical investigation supports that assumption—more women on the BOD can enhance firms' reputations (Brammer et al., 2009; Larkin, Bernardi, & Bosco, 2012). An increase in the number of women is also associated with a firm's better financial performance (Krishnan & Park, 2005; Dezso & Ross, 2012). In relation to the present study, female representation in upper echelons can favorably influence the firms' corporate giving patterns (Wang & Coffey, 1992; Williams, 2003; Marquis & Lee, 2013), their corporate social performance (Coffey & Wang, 1998), and their work environment (Bernardi et al., 2009). Additionally, women on boards are more likely to be support specialists and community influentials (Hillman, Cannella, & Harris, 2002), thereby bringing the firm closer to its stakeholders. Therefore, "female directors may sensitize boards to CSR initiatives and provide perspectives that can be helpful in addressing issues of CSR" (Bear et al., 2010:210).

The primary mechanism by which women in upper echelons can influence the ES is their values. At large, values affect perceptions and can ultimately determine what stakeholders will emerge as important to managers (Agle, et al., 1999). Nevertheless, findings of the effects on the stakeholder outcomes of female representation in the upper echelons are mixed. Some studies found a positive, but insignificant link to stakeholder outcomes suggesting that women can influence firm outcomes if there are at least three women in upper echelons (Konrad, Kramer, & Erkut, 2008; Post et al., 2011). Others suggest that BODs with more women (but ones who have longer tenure) are associated with an increase in more lawsuits against their company (Bao et al., 2014). Overall, however, gender diversity of boards may be a sign that a firm is better integrated with its stakeholder environment. That is, firms with more diverse BODs are able to extend the

benefits of good corporate governance across a broader set of stakeholders, including (among others) shareholders, employees, local communities, the government and special interest groups (Kang, Cheng, & Gray, 2007; Zhang, 2012). Therefore,

> **Hypothesis 1:** Gender diversity on the BOD will positively influence the MNE's enterprise strategy integration.

A similar argument regarding the role of women on TMTs has been made. Women in TMTs bring diversity in the informational and social resource-base of decision-makers that can influence executives' behavior and motivate women in middle management (Deszo & Ross, 2012). The presence of women in TMTs projects the image that an organization values the concern for others, nurturance, and collaboration (McCrea & Ehrich, 2000). Common areas of organizational life that can be influenced by the presence of women executives include, among others, the negotiation and conflict resolution style and the accommodation of individual aspirations and needs to care in the family or in the workplace (Syed & Murray, 2008). Also, a greater TMT female representation can affect the perceptions for advancement and the behavior of lower-level women (Ely, 1994). This finding suggests that women can exert greater influence on some stakeholder groups (such as female employees) than men can. In favor of the firm's reputation, more women on TMTs may communicate to stakeholders that feminine qualities are embraced by the organization (Syed & Murray, 2008). Furthermore, firms in complex environments face wider environmental dependencies; therefore, they are more likely to seek a multitude of perspectives and solutions, as well as to favor ties with external constituencies provided by gender diversity (Hillman et al., 2007).

In summary, there are three reasons examined in the literature regarding why women in power may be more environmentally-oriented and socially apt than their male counterparts: 1) they are more interpersonal and use participative approaches in their leadership style, 2) when in power, they are more "communally-oriented" than "exchange-oriented", and 3) in terms of their individual characteristics, on average, women are more ethical than men (Kimball et al., 2012). Therefore,

> **Hypothesis 2:** Gender diversity on the TMT will positively influence the MNE's enterprise strategy integration.

Functional Diversity and Enterprise Strategy

The effects of functional diversity on the ES of MNEs are virtually unstudied. However, there exists some literature in similar domains that can inform my search. The "integrative complexity" of TMT members is an important determinant of a firm's social performance (Wong, Ormiston, and Tetlock, 2011). Integrative complexity can generally be described as a combination of the individual's level of tolerance for different points of views and his/her ability to link such differences to explanations of why people differ in their viewpoints on similar situations (Tetlock, Peterson, & Berry, 1993). TMT members with low levels of integrative complexity are said to focus on solving the problems of a small set of stakeholders, whereas members with high levels of integrative complexity will seek solutions that satisfy multiple stakeholder needs (Wong et al., 2011).

A striking similarity in the distinction concerning the TMT stakeholder focus as an outcome of TMT's patterns of information identification and processing (Thomas & Simerly, 1995) exists in the research on the functional background diversity of TMT members. Functional background diversity reflects the within-firm work history variation in functional areas such as finance, marketing, and research and development (Bunderson, 2003). Functional background is an important determinant of a team member's type of knowledge, attitude and perspective (Bantel & Jackson, 1989; Dearborn & Simon, 1958; Hambrick & Mason, 1984). This is why managers with different functions characterize different attitudes, and perceptions (Waller, Huber, & Glick, 1995).

Because the personal history of any individual impacts how he or she identifies and frames events, managers' identification of domains and programs implemented to address social issues are said to be influenced by their functional background and training (Simerly, 2003). Essentially, when presented with the same problem, executives from different functional backgrounds define it in light of their own functional activities (Dearborn & Simon, 1958), because they approach each problem using different schemas (Fiske & Taylor, 2007) developed in their function. For example, HR people will tend to define problems from the perspective of what is in the interest of the employee stakeholder group. In contrast, marketing people may do so with an eye on the customers.

Functionally-diverse teams tend to characterize a broader range of perspectives and knowledge to draw on, and an ability to outperform more functionally-homogenous teams (Carter, 2006). In a recent meta-analysis investigating the effects of demographic diversity variables on team performance, Bell et al. (2011), argued that, consistent with the core argument of the informational diversity, "at maximum levels of functional background variety diversity, a team would have members spread across different functions, thereby suggesting more information to apply to the task. Thus, functional background variety diversity should be positively related to team performance." (p. 716).

At the same time, however, Hambrick and Mason (1984) distinguished among three groups of functional specialization—"output" functions (which emphasize externally oriented activities such as developing products, marketing, sales and R&D), "throughput" functions (which are internally oriented activities such as production, finance and process engineering), or "peripheral" functions (which are non-core activities such as law and finance). Managers with "output" oriented backgrounds are more adept at recognizing the multiple demands of their stakeholders (Thomas & Simerly, 1994). Conversely, managers specializing in "throughput" or internal functions tend to be "more task-oriented and may not be sensitive to the needs of people both within and outside the organization" (Thomas & Simerly, 1994:962). Consistent with that, Simerly (2003) found that a greater internal orientation of the management (i.e. more managers with throughput functions) is associated with lower levels of corporate social performance.

Overall, the literature agrees that managers from the three functional groups hold dissimilar scripts concerning stakeholders. Output function managers are externally-oriented and, therefore, more likely to respond to external stakeholder problems (Simerly, 2003). Throughput functions are internally-oriented and prioritize short-term measures and financial performance (Carter, 2006). A compelling argument, however, can be made in favor of a potentially positive influence of throughput functions on some stakeholders. Specifically, if throughput-oriented managers are likely to have cognitive scripts that focus on efficiency and profitability and they are less likely to react to external stakeholder visibility changes (Carter, 2006), they may benefit important internal stakeholders, such as shareholders and employees. That is, a balanced portfolio of functional categories among TMT members that can encourage the formulation of

problems with an eye on both internal stakeholders (for throughput functions) and external stakeholders (for output functions) can be beneficial for the firm's overall stakeholder orientation. Therefore,

> **Hypothesis 3:** Functional diversity (along the output, throughput, and peripheral functions) on the TMT will positively influence the MNE's enterprise strategy integration.

BOD Stakeholder Representation and Enterprise Strategy

The stakeholder interpretation of corporate governance states that stakeholder should have a say in the organizational decisions and deserve a place on the BOD because, generally, they lack safeguards in their relationships with the firm (Freeman & Evan, 1991). Although BODs have fiduciary obligation to shareholders only, the BOD is also an important mechanism for addressing stakeholders' concerns (Lorsch & McIver, 1989). For example, to manage their interdependence with stakeholders, sometimes firms appoint key stakeholders, such as powerful environmentalists (Huse & Rindova, 2001) and politicians (Hillman, 2005) on their BODs.

Stakeholder BOD members, such as employee representatives, government officials and non-government organization representatives, can supply the firm with timely information, which can inform the organization's strategies about the state of the external environment. In its strategic role, the BOD provides advice and counseling to the TMT in the formulation of various strategic initiatives (Baysinger & Hoskisson, 1990). In general, the extant literature supports the BOD strategic-role argument. BOD variety regarding backgrounds, attributes and experiences is said to optimize the BOD's performance of its strategic role (Hillman et al. 2001). If BODs can influence the formulation of the corporate- and business-level strategy, as empirical investigation shows, a compelling argument can be made that they are able to influence the enterprise-level strategy.

Additionally, stakeholders have expectations concerning the role of boards, and they vary in those expectations (Huse & Rindova, 2001). For example, local communities will want the BOD to give priority to control activities, such as ratification and control of strategic decision-making, whereas managers will want the BOD to give priority to service activities, such as the provision of advice and connections (Huse & Rindova, 2001). It can be expected then that board members who represent a variety of internal and

external stakeholder groups identified by the organization are more likely than board members who do not represent any stakeholder group to act not only in the interest of the organization but also in the interest of other constituencies (Gazley, Chang, & Bingham, 2010). Therefore,

> **Hypothesis 4:** The BOD stakeholder representation will positively influence the MNE's enterprise strategy integration.

MNE Embeddedness: Moderating Role of the Home-country Political Culture

The institutional argument of a firm's social responsibility posits that the executives' perceptions of and values concerning stakeholder importance to the firm are influenced by the institutional embeddedness of the business (Campbell, 2007; Matten & Moon, 2008). That is, even though many firms globalize, they remain reliant on their local environment for competitive advantages and renewals (Rugman & Verbeke, 2006). Far from being "nationless," such firms are embedded in the institutional environments of their home country (Whitley, 2007).

This institutional embeddedness of the MNE is discussed in a body of literature addressing the "country-of-origin" effects in MNEs (Noorderhaven & Harzing, 2003:48). This concept reflects how the behavior of the firm is entrenched in the institutional and ideological environment of its home country. Analogously, MNEs, through their top managers, "inject" value from their home country into their overseas activities (Dunning, 1993).

There are two primary sources of the "country-of-origin effect"—institutional (e.g., DiMaggio & Powell, 1983; Scott, 1995) and cultural (e.g., Hofstede, 1980). Institutions determine the power structure in society and define the long-term identities of social actors (Jackson, 2010). Therefore, they can shape social behavior by allowing certain types of action and constraining other types of action (Brammer et al. 2009). Variations in the effects of institutions on the relationships among economic and non-economic stakeholders are widely discussed in the varieties of capitalism literature (Hall & Soskice, 2001) although a direct link with the ES has not been made. We do know, nevertheless, that "despite globalization, nations remain an important unit of shared experience" (Inglehart & Wezel, 2010:553) and that the businesses system or organizational fields

within which a firm exists account for some of the variation in firms' adoption of voluntary and involuntary CSR initiatives (Brammer et al., 2009).

Our understanding of the effects of culture on stakeholder engagement, however, is still obscure. Some suggest that power distance and masculinity have a significantly negative effect on corporate social and environmental performance, whereas individualism and uncertainty avoidance have no effect (Ringov & Zollo, 2007). In contrast, others find that collectivism has a positive and power distance a negative effect on the social responsibility values of managers (Walden et al. 2006). Also, businesses based in UK, US, France, and the Netherlands display differences in their eagerness to appear as socially responsible and employ diverse means to convey social responsibility images (Maignan & Ralston, 2002). None of the sources of "county-of-origin effect" suggested above addresses the issue of diversity in the culture. As a result, I focused on studying the effects of the political culture of the home country, because political culture concerns, among other factors, the level of diversity within a country and has a strong link with corporate social responsibility (Gjolber, 2009).

The presumption that cultural differences drive significant elements of political and economic life enjoys a wide acceptance (Jackman & Miller, 1996). Political culture is seen as a key driver of economic performance and democratic stability (Inglehart, 1997). In general, the study of political culture examines the impact of culture on politics (Jackman & Miller, 1996). More specifically, it argues that societies exhibit some durable cultural attributes that have major political and economic consequences in a country. Over time, societies develop consistent habits and attitudes (e.g., the levels of life satisfaction, interpersonal trust, the desire to support the existing social order, and political satisfaction), which reflect the heritage of long historical experiences (Inglehart, 1988). Such continuities in political culture are strikingly greater than the continuities in economic development and social well-being (Putnam, Leonardi, Nanetti, & Pavoncello, 1983). Therefore, the basic premise of political culture is that the dominant habits and attitudes of a society are prerequisites for the evolution of persistent democratic institutions—high scores on these measures are associated with a stable democracy, whereas low scores inhibit the development of democracies (Inglehart, 1988).

One of the key concerns in democratic developments is the impact of fractionalization on the quality of governance. Fractionalization is the probability that two randomly-selected people are not from the same (for example, linguistic, ethnic, or religious) group (Alesina and colleagues, 2003). Fundamentally, fractionalization concerns the prevalence and outcomes of diversity in society. Scholars have consistently showed that ethno-linguistic fractionalization (Alesina & La Ferrara, 2000) and gender inequalities (Nussbaum, Basu, Tambiah, & Jayal, 2003) in a society inhibit good governance, as measured by the efficient provision of public goods, the participation in social activities, and the level of trust within that society. However, the negative effects of fractionalization on good governance disappear after controlling for GDP per capita (La Porta et al., 1999). In fact, an extensive study on the effects of cross-cultural fractionalization concerning 190 countries found that religious fractionalization, for example, "displays a positive correlation with measures of good governance" (Alesina et al., 2003:6). In essence, in more democratic (i.e., tolerant and free) societies, high fractionalization will positively influence governance (Alesina et al., 2003) and, therefore, the interaction among economic, political, and social actors.

Although there are few reliable measures of comparative political culture (Gjolber, 2009), the World Value Survey (WVS website) claims to provide "the world's most comprehensive investigation of political and socio-cultural change" (WVS website). The research on the WVS political culture measure spans over more than 30 years and suggests that a large number of basic values are highly correlated and can be mapped using two continua— (1) traditional vs. secular-rational values and (2) survival vs. self-expression values—which explain 70 percent of the cross-cultural variance.

The first continuum (traditional/secular-rational values) concerns the prevalence and importance of *religion* in a society. Traditional-value societies often emphasize a monolithic religion and, as a result, characterize lower levels of religious fractionalization, which underscores obedience and respect for authority , national pride and the rejection of diversity in personal choices such as those concerning marital status, abortion and life (Inglehart & Wezel, 2010). Yemen, Somalia, Morocco, Turkey and Algeria are among the least-secular societies (Alesina et al., 2003).

In contrast, secular societies are neutral to religion; they neither support nor disregard it. As a result such societies are more accepting of divorce, loose family ties, euthanasia, and abortion. As societies transition from agrarian to industrial economies, and then develop into postindustrial societies, the conditions of growing security that usually accompany this process tend to reduce the importance of religious values, as there is less need for security (Norris & Inglehart, 2011:18). Secular societies, then, characterize cosmopolitanism, autonomy, and rationality (Inglehart & Wezel, 2010). They also underscore greater religious fractionalization. The United States, Australia, and South Africa are among the most religiously-fractionalized secular countries.

Even in highly secular societies, the historical legacy of given religions seems to continuously shape worldviews and to define cultural zones. As a result, the values and norms (e.g., orientation toward the work ethic, sexual liberalization, and democracy) in, for example, Catholic, Protestant, Hindu, Buddhist, Confucian, Orthodox, and Muslim societies will vary systematically based on past historical traditions, even among people living in these societies who do not adhere to these faiths or feel that they belong to any church, temple, or mosque (Norris & Inglehart, 2011).

Using the same logic, I argue that MNEs, through their top level managers, carry the values and norms that characterize the governance in their home country. As a result, emphasis on tolerance for religious fractionalization in the home-country will positively influence firm-level diversity outcomes. In essence, a diversity of faith-based organizations, strong pluralistic competition among religious institutions, freedom of religion, and the constitutional division of church and state characterizing the high religious fractionalization of secular societies will enhance the effects of diversity on the MNE stakeholder outcomes vis-à-vis the ES.

Consistent with my argument, relative to the people of traditional societies, the people of secular societies are known to engage in more intense political activism and environmentalism (Gjolberg, 2009). When firms face home-country stakeholders who are not afraid to voice their dislikes towards the firm's action when such dislikes arise, I expect MNEs established in more secular societies, which characterize higher religious fractionalization, to prefer greater integration with their stakeholders. Therefore,

Hypothesis 5a: The level of religions fractionalization in the MNE's country of origin will positively moderate the relationship between TMT gender diversity and the MNE's enterprise strategy integration.

Hypothesis 5b: The level of religious fractionalization in the MNE's country of origin will positively moderate the relationship between BOD gender diversity and the MNE's enterprise strategy integration.

Hypothesis 5c: The level of religious fractionalization in the MNE's country of origin will positively moderate the relationship between TMT functional diversity and the MNE's enterprise strategy integration.

Hypothesis 5d: The level of religious fractionalization in the MNE's country of origin will positively moderate the relationship between BOD stakeholder representation and the MNE's enterprise strategy integration.

The argument for the influence of political culture, as presented by the level of religious fractionalization, on the above-mentioned relationships is based on the logic that political culture is a key determinant of the emergence of mass-democracy (Inglehart, 1988). Mass-democracy, in turn, is associated with a more diverse, free, and tolerant-to-differences society (Barber, 2006). Such discrepancies can be observed even within a country. For example, in the US, Boehmke (2002) demonstrated that in direct democracy states, the political institutions are such that there are incentives for individuals "to join and mobilize interest groups" (p. 827). Furthermore, the author's empirical investigation demonstrates that direct democracy increases a state's interest group population by about 17% and that citizen interest groups increase by 29% versus the increase of economic groups (in which the increase was 12%). This suggests that highly democratic societies awaken activism by traditionally underrepresented stakeholders and increase the diversity of non-economic interest groups in society (Boehmke, 2002).

Cultural variables deeply instilled in society are critical for the economic prosperity and democratization of a society (Inglehart & Welzel, 2010). As individuals achieve greater economic security, a growing emphasis on self-expression values that give high priority to free choice emerge. Self-expression is linked to the generation of a more participative public which emphasizes subjective well-being, trust, tolerance, support for gender equality and quality of life concerns (Wezel & Inglehart, 2005).

In line with this logic, the second continuum (survival/self-expression values) outlined in the political culture of the WVS is linked to the shift of societal preferences from materialist priorities, such as economic and physical security, to post-modernist priorities Inglehart (2008). As such, this dimension of political culture informs us about the degree to which diversity is embraced in a given country in the following way. Self-expression values reflect "environmental protection, tolerance of diversity and rising demand for participation in decision-making in economic and political life" (Inglehart & Wezel, 2010:564). The dominance of such values also promotes greater tolerance of minorities (i.e., foreigners, gays and lesbians) and gender equality (WVS website). Specifically, self-expression values are highly correlated with a wide range of indicators such as a Global Civil Society index, Government Effectiveness (World Bank) and Gender Empowerment Measure (UNDP). Countries that score high on this dimension include countries like Sweden, Denmark, and Australia. Societies that rank high on this dimension also tend to rank high on interpersonal trust (Inglehart & Welzel, 2010). High levels of self-expression have also been linked to political activism and environmentalism (Gjolberg, 2009). Similarly to cultures with high religious fractionalization, I expect MNEs established in societies that embrace self-expression to achieve better integration with their stakeholders. Therefore,

Hypothesis 6a: The national self-expression of the MNE's country of origin will positively moderate the relationship between TMT gender diversity and the MNE's enterprise strategy integration.

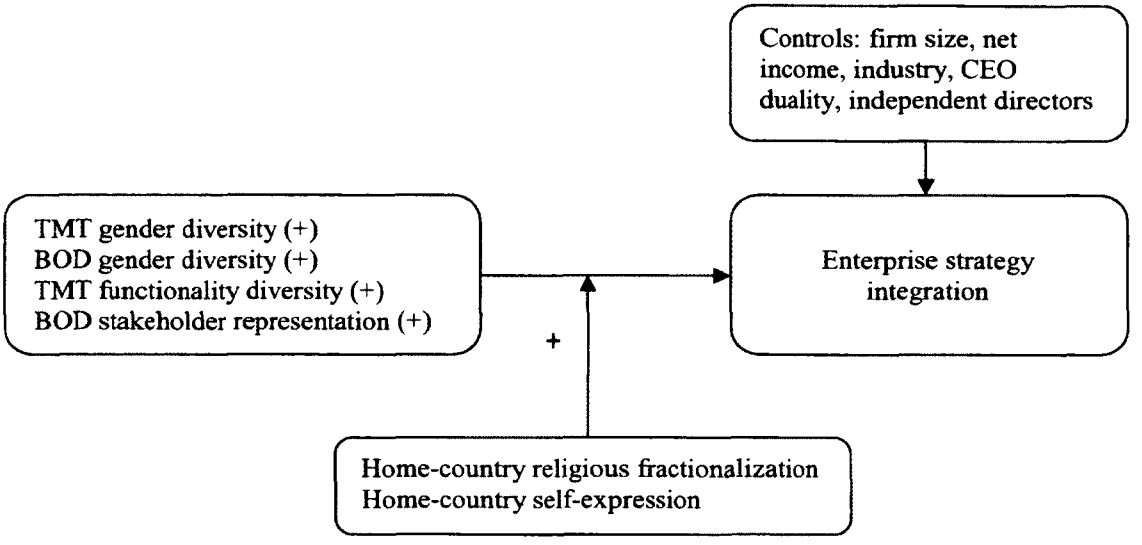
Hypothesis 6b: The national self-expression of the MNE's country of origin will positively moderate the relationship between BOD gender diversity and the enterprise strategy integration.

Hypothesis 6c: The national self-expression of the MNE's country of origin will positively moderate the relationship between TMT functional diversity and the enterprise strategy integration.

Hypothesis 6d: The national self-expression of the MNE's country of origin will positively moderate the relationship between TMT gender diversity and the enterprise strategy integration.

The summary theoretical model is presented in Figure 4.

Figure 4. Theoretical Model: Effects of Diversity on the Enterprise Strategy



METHODOLOGY

Population and Sample of Firms

The sample frame for this study comprises multinational firms who issued a GRI report in the year 2011. I needed the letters in the GRI reports in order to be able to assess the level of enterprise strategy integration. I used all accessible GRI reports that were published in English at the time when the data were collected. The sample of this study contains 287 MNEs from 30 countries. Some of the key features of these companies as well as the number of companies per country are outlined in Table 14 and Table 15.

Data Collection

Data on the TMT and BOD characteristics were extracted from Bloomberg, annual reports, and Web sites and are based on the year 2010. Industry data for the year 2010 were obtained from Bloomberg. Country-level data were based on the World Value Survey. The Global Reporting Initiative (GRI) database provided the GRI reports for the year 2011 that were used to assess the ES. Specifically, each letter to stakeholders was

Table 14. Sample Descriptives (N=287)

BOD and TMT characteristics	Value
BOD size (# of members)	10.68
TMT size (# of members)	9.5
BOD women (%)	14.2
TMT women (%)	11.5
Sector representation	
Technology	49 firms
Consumer	51 firms
Energy	30 firms
Real Estate	15 firms
Healthcare	18 firms
Industrials	124 firms
Firm characteristics	
Size (# of employees)	55048
Firms with CSR committee on the BOD	62 firms
Sales (in million $)	20308

Table 15. Number of Firms per Country

	Country	N of firms		Country	N of firms
1	Australia	17	16	Japan	16
2	Austria	1	17	Korea	8
3	Brazil	4	18	Mexico	3
4	Canada	18	19	Netherlands	12
5	Chile	1	20	Russia	1
6	China	2	21	Singapore	13
7	Denmark	4	22	Slovenia	1
8	Finland	15	23	South Africa	9
9	France	10	24	Spain	7
10	Germany	10	25	Sweden	8
11	Greece	3	26	Switzerland	12
12	Hungary	4	27	Taiwan	3
13	India	1	28	Thailand	5
14	Israel	3	29	UK	14
15	Italy	5	30	US	75
				Total N firms	287

extracted from the GRI reports, converted into a text file, and analyzed with the aid of computer software, in order to determine what the ES of each MNE is.

Variables and Measures

Dependent variable. The dependent variable, *enterprise strategy integration,* is operationalized as the weighted average of the scores for ES scope and ES type. Higher overall score reflects a more integrated strategy (i.e., broader and more proactive

strategy); lower score represent a less integrated strategy (i.e., narrower and more defensive strategy).

The ES integration is a new measure, which has demonstrated reliability and validity (Vracheva, 2013, working paper). This construct was developed via a computer-aided content analysis of stakeholder letters, and its measure is based on the generation of a set of words used to assess the two dimensions of the ES— scope and type. The procedure involves the calculation of the percentage of the words in the stakeholder letter describing the ES dimensions based on which I then obtain my weighted average score for the ES integration. Inter-rater reliability and predictive validity are also demonstrated. For further information, refer to Vracheva (2013), working paper.

Independent variables. The TMT is defined as the executive team listed in the annual report (Gordon et al., 2000) for 2010 and includes executives in a position of vice president and above (Tihanyi et al., 2000). The two TMT diversity measures were calculated with a Blau index using the formula $B=[1-\Sigma(p_i^2)]$, where p is the percentage of members in the i^{th} category group.

That is, *TMT gender diversity* was calculated with the Blau index. Since gender diversity is based on two categories (i.e., male or female), the minimum score for this variable was zero, indicating that there were no women on the TMT, whereas the maximum score was 0.5, indicating that there was an equal number of women and men on the TMT.

TMT functional diversity is calculated as the Blau index of the top executives with an output function (e.g., marketing, sales and R&D), a throughput function (e.g., production, engineering, accounting, and finance), and a peripheral function. The output functions concern growth and the search for new domain opportunities related to adjusting the products and markets, whereas the throughput functions are intended to improve the efficiency of the transformation process (Hambrick & Mason, 1984). To code the functions, I used the nine functional background categories of Simerly (2003)— Production and Operations, Research and Development, Finance, General Management, Marketing and Sales, Law, Administration, Accounting, Personnel Labor Relations, and other. R&D and Marketing and Sales were categorized as output functions. Production

and Operations, Finance, Accounting, Law and Personnel Relations were coded as throughput functions. Other functions were placed in the peripheral category.

Two raters coded the functional background of 20% of the top management teams as output, throughput, or peripheral. The coding was driven by the definitions for each type of function and Simerley's (2003) functional background categories. When a function could not be clearly placed in any of the two categories, it was coded as other. Inter-rater reliability of .87 was established. Disagreements were settled by discussion (Hillman et al., 2001). The rest of the coding was done by the author.

The BOD comprises the members listed in the annual and (when available) governance report of each firm for 2010. *BOD gender diversity* was calculated using the measure outlined for the TMT gender diversity.

The measure of the *BOD stakeholder representation* is based on the approach of Hillman et al. (2001). First, a set of stakeholder categories for this variable was developed. The raters were able to code information for 2797 BOD members. Twenty percent of the coding was conducted by two raters. The inter-rater reliability was 0.75. As in the case of functional diversity, disagreements were resolved through discussing. The remainder of the coding was conducted by the author.

Hillman et al. (2001) used five categories of stakeholders on the BOD—insider/employee, customer, supplier, community representative, or other. Given the international nature of the sample, I extended these categories to nine to account for the greater multitude of stakeholders that can affect MNEs relative to purely domestic firms—shareholders, other financiers, non-executive employees, executive employees, customers, suppliers, political representatives, non-profit, and other. These nine categories were considered the most common. Members who had shares in the company were coded as "shareholders." Members with links to banks or other financial institutions were coded as "other financiers." The "non-executive employees" comprised the union representatives and other employees who were not on the TMT, whereas the "executive employees" were the inside directors. Members who have previously or are currently holding a position with the local, regional or state government were coded as "political" stakeholders. Finally, members with links to non-profit organizations, such as a variety of charity foundations, as well as professors or members sitting on boards of universities

were coded as "non-profit." BOD members with no clearly-defined link to any of the above categories were coded as "other." To measure stakeholder representation on the BOD, I counted the number of stakeholder categories represented (Hillman et al., 2001).

The two moderating variables—*home-country religious fractionalization* and *national self-expression*—characterizing each MNE's home country were measured using the factors score of the two political culture coninua provided in Inglehart (2009). Higher factor scores indicated greater fractionalization and greater national self-expression, respectively. High scores on both dimensions reflect modernism, rationalism and post-material values related to greater tolerance to diversity (Inglehart & Wezel, 2010), as well as political activism and environmentalism (Gjolber, 2009).

Control variables. A number of control variables from past studies of similar contexts were used. CEO duality (Post, Rahman, & Rubow, 2011) was measured with a categorical variable (1= CEO is also the chairman and 0=CEO is not a chairman). I also control for the percentage of independent directors (Post et al., 2011). The dollar amount of the net income is consistently associated with the non-financial performance of the firm. Following Stanwick and Stanwick (1998), I control for potential effect of the net income on the dependent variable. I also control for industry using dummy variables. The industry categories were based on the Bloomberg Global Industry Classification Standard. The following sectors were represented—industrials, energy, consumer discretionary and consumer staples, healthcare, real estate, and information technology.

RESULTS

I conducted the analysis using HLM for two-level data: firms nested within home-countries. The χ^2 statistics of the null model indicated that the variances at firm and country level are statistically significantly different from zero, thus suggesting that HLM2 is an appropriate analytical approach for this study. Correlations and descriptive statistics for the variables used in the analysis are presented in Table 16.

The results of the analysis (with robust standard errors) are presented in Table 17. Model 1 shows the effect of the control variables. Model 2 concerns the main effects. Model 3 and 4 reflect the cross-level interactions. At the firm level, the results yielded support for H1 ($p<.05$), H2 ($p<.05$), and H4 ($p<.05$). TMT and BOD gender diversity, as well as the BOD stakeholder representation, have a positive impact on the ES integration.

Table 16. Descriptive Statistics and Correlations (N=287)

	Variables	Mean	SD	1	2	3	4	5	6	7	8
1	BOD gender diversity	.25	0.15	1							
2	TMT gender diversity	.19	0.20	.39**	1						
3	TMT funct. diversity	.54	0.13	.09	.13*	1					
4	BOD stakeholder reps	3.89	1.77	.26**	.31**	-.14*	1				
5	Secularism	.08	0.90	-.06	-.10	-.16**	-.01	1			
6	Self-expression	1.07	0.96	.33**	.24**	.17**	-.08	-.19**	1		
7	CEO duality	.31	.46	-.09	.04	.11	-.08	-.27**	.02	1	
8	Outside directors	69.73	22.96	.32**	.14*	.07	-.13*	-.31**	.35**	.06	1
9	CSR Committee	.25	.43	-.01	.08	.07	-.07	-.14*	.25**	.01	.23**
10	Net income	1694.51	3864.93	.07	.05	.00	.00	.08	.08	-.04	.01
11	Firm size	4.20	.76	.09	.04	.16**	-.02	.06	.04	.13*	.00
12	Technology	.17	.38	-.07	-.01	-.04	.01	.08	-.12	.06	-.02
13	Customers	.18	.38	.17**	.08	-.07	-.01	-.01	.09	-.02	-.08
14	Energy	.10	.31	.01	.03	.05	.08	-.06	-.08	-.08	.02
15	Real Estate	.05	.22	-.01	.03	.02	-.04	.02	-.02	-.02	.09
16	Healthcare	.06	.24	.07	.08	.02	-.04	-.05	.11	.11	.11
17	Industrials	.43	.50	-.11	-.12*	.03	-.01	.01	.02	-.02	-.04
18	Enterprise Strategy	3.57	.88	.33**	.40**	-.05	.39**	-.01	.04	-.09	.04
		9	10	11	12	13	14	15	16	17	18
9	CSR Committee	1									
10	Net income	.01	1								
11	Firm size	.00	.09	1							
12	Technology	-.14*	-.07	.15**	1						
13	Customers	-.06	.09	.20**	-.21**	1					
14	Energy	.04	-.07	-.03	-.16**	-.16**	1				
15	Real Estate	-.09	.02	-.30**	-.11	-.11	-.08	1			
16	Healthcare	-.02	.11	.08	-.12*	-.12*	-.09	-.06	1		
17	Industrials	.18**	-.04	-.15*	-.40**	-.41**	-.30**	-.21**	-.23**	1	
18	Enterprise Strategy	.05	.13*	.06	-.09	.08	.05	.04	.08	-.08	1

**p<0.01; *p<0.05

Table 17. Hierarchical Linear Modeling Results of Antecedents of the Enterprise Strategy of MNEs (N=287[1])

Variable	Model 1	*se*	Model 2	*se*	Model 3	*se*	Model 4	*se*	Model 5	*se*
Intercept	3.59**	*.40*	3.30**	*.23*	3.39**	*.25*	3.34**	*.26*	3.37`**	*.40*
Controls										
CEO duality	-.14	*.09*	-.01	*.09*	-.02	*.09*	-.07	*.11*	-.05	*.08*
Independent directors	.00	*.02*	.01	*.02*	.01	*.02*	.01	*.02*	.01	*.01*
CSR committee	.13	*.10*	.15†	*.08*	.13	*.08*	.16	*.11*	.16†	*.09*
Net Income [2]	.00*	*.00*	.00*	*.00*	.00*	*.00*	.00*	*.00*	.00*	*.00*
Company size[3]	-.03	*.06*	-.08†	*.05*	-.08†	*.04*	-.08	*.07*	-.08†	*.04*
Technology	.12	*.33*	.13	*.29*	.07	*.28*	-.04	*.32*	-.08	*.29*
Consumer	.34	*.37*	.31	*.34*	.26	*.35*	.17	*.33*	.13	*.35*
Energy	.15	*.36*	.15	*.29*	.11	*.29*	-.03	*.33*	-.05	*.33*
Real Estate	.33	*.33*	.38	*.30*	.37	*.30*	.28	*.36*	.26	*.34*
Healthcare	.54	*.30*	.46	*.29*	.44	*.30*	.31	*.35*	.29	*.29*
Industrials	.04	*.33*	.18	*.30*	.13	*.30*	.01	*.32*	-.02	*.32*
Upper echelons level										
BOD gender diversity			1.33**	*.44*	1.05**	*.38*	1.74**	*.39*	1.43**	*.45*
TMT gender diversity			.88*	*.42*	1.31**	*.25*	.76**	*.27*	1.25**	*.28*
TMT functional diversity			-.22	*.31*	-.33	*.31*	-.14	*.39*	-.27	*.38*
BOD stakeholder representation			.13**	*.02*	.13**	*.02*	.12**	*.04*	.12**	*.05*
Cross-level interactions										
Fractionalization x BOD gender diversity					-.69†	*.38*			-.51	*.40*
Fractionalization x TMT gender diversity					.85**	*.22*			.74**	*.36*
Fractionalization x TMT functional diversity					.03	*.21*			.07	*.25*
Fractionalization x BOD stakeholder					-.02	*.03*			-.02	*.04*
Self-expression x BOD gender diversity							-.62	*.62*	-.41	*.47*
Self-expression x TMT gender diversity							.58*	*.28*	.20	*.21*
Self-expression x TMT functional diversity							-.16	*.16*	-.12	*.20*
Self-expression x BOD stakeholder							-.00	*.04*	.01	*.04*
χ^2	37.89		48.75*		41.23†		32.42		29.93	
Deviance	602		510		500		501		496	

†<.10; *p<0.05; **<0.01; [1]30 countries;
[2]Dollar amount; [3]Log transformed

In partial support of H5a ($p<.10$) I found that the level of religious fractionalization in a country moderates the relationship between BOD gender diversity and the ES integration; however, this effect is not in the expected direction. Therefore, H5a is rejected. Also, H5b is supported ($p<.01$). The relationship between the TMT gender diversity and the ES integration is positively moderated by the level of religious fractionalization in a country. Finally, H6b was also supported ($p<.05$)—the dominance of self-expression in a country moderates the relationship between the TMT gender diversity and the ES integration. The rest of the cross-level interaction hypotheses were not supported.

DISCUSSION

The primary goal of this study was to explore the effects of internal and external environment diversity factors on the ES of the multinational firm. The theory I test is based on the idea that, if the upper echelons of firms are responsible for the ES, their characteristics should influence the level of ES integration. Because MNEs' environments are innately turbulent and complex, with respect to the diversity effects on the ES integration (and more specifically, BOD and TMT gender diversity, TMT functional diversity, and BOD stakeholder representation), I adopted the variety view of diversity, suggesting that greater variety within the upper echelons links to a broader and more proactive ES. With respect to the internal environment diversity effects, I found mostly support for my theory—BOD and TMT gender diversity as well as BOD stakeholder representation are positively related to MNEs' ES integration.

In fact, in the present study, the firm-level diversity factors are the strongest predictors of the MNE's ES integration. Specifically, I demonstrated that there is a strong and positive link between the gender diversity in upper echelons and the dependent variable. This finding is consistent with the premise that the presence of women in the top layers of the organization is associated with more egalitarian decision-making which fosters more proactive attention to a variety of stakeholder problems (Hillman et al., 2001).

I also showed that when the BOD composition reflects a broader stakeholder environment, the ES is more integrated with stakeholders. This finding is in line with the BOD literature which posits that, among other functions—such as to protect the shareholders by monitoring and controlling managers (agency theory), to span the

organizational boundaries (resource dependence theory) and to provide legitimacy (institutional theory)— the board members have a strategic role to play (Huse & Rindova, 2001). That is, through the provision of information, advice, and access to networks, BODs can influence the ES in favor of other stakeholders.

I did not find a significant link between the TMT functional diversity and the ES integration. This may be due to the possibility that it is really the output-oriented managers who drive the ES integration of the companies examined; if output-oriented managers outnumber the managers of other functions, the scope and proactiveness of the ES will improve. That is, greater diversity along the three categories of functions (output, throughput, and peripheral) that managers can occupy means a more equitable distribution of functional orientations. If the output-oriented managers in fact stimulate ES integration for the reasons laid out earlier, then a skewed distribution favoring output-oriented managers should strengthen the ES integration. Therefore, examining the percentage of output-oriented managers may be a more appropriate measure.

As to my theory concerning the external environment diversity effects on the ES, the results are mixed. Based on the country-of-origin effect, I suggested that if the MNEs country of origin embraces diversity in society as a whole, as measured by the political culture of that society, then the effects of the internal environment diversity of the MNE on the ES integration will be greater. Although at this point it is not clear whether the presence of women in the upper echelons of MNEs is a country-specific issue or a firm-bond phenomenon, I found that the dominance of religious fractionalization and self-expression in MNE's home country positively influences the effects of TMT gender diversity on the ES integration. This means that MNEs originating in societies where democracy and diversity are embraced may be better able to take advantage of and encourage unique contributions of generally underrepresented groups such as females in the upper echelons.

At the same time, however, the influence of the religious fractionalization on the relationship between BOD gender diversity and the ES integration is not positive. In fact, high fractionalization seems to impair the ability of BOD women to contribute to the MNEs ES integration. I explain that using "the law of unintended consequences" according to which the mandated transfer of resources, rights, and privileges to a

particular group can harm the outcome of that group (Merton, 1936). For example, unemployment increases when wages fall due to a mandated increase in benefits or minimum wage (DeLeire, 1997). In the circumstances of the present study, there is a trend in countries that are highly fractionalized (e.g., many of the developed countries) to mandate the female representation on the BOD. For example, in November of 2012, the European Commission took actions to break the glass ceiling. It proposed legislation with the aim of attaining a 30% objective of the under-represented gender in non-executive board-member positions in publicly listed companies by 2015. A 40% objective is to be met across Europe by 2020. At present, the number of female BOD members is legislated in Norway and Spain.

Also, in Australia, although there are no gender quotas on women in upper echelons, in 2010, the Corporate Governance Code made a number of recommendations on gender diversity, including a requirement for a diversity policy disclosure, the establishment of measurable objectives for achieving gender diversity, and disclosure in each annual report of the proportion of women employees in the whole organization, in senior executive positions, and on the board (Deloitte, 2011). In 2009, similar rules requiring the disclosure of whether, and if so how, a nominating committee considers diversity in identifying nominees for directors were introduced in the US by the SEC. In summary, I believe that mandating an increase in the female representation (intended action) may have an adverse effect on the ability of female directors on the BOD to positively influence firm outcomes (unintended consequence).

SUMMARY

In the last essay, I investigated the multi-level diversity antecedents of the ES. At the firm level, I examined the effects on the ES of TMT and BOD gender diversity, TMT functional diversity and BOD stakeholder representation. At the national level, I explored possible moderating effects of the political culture of the MNEs home country, as they are presented by the levels of self-expression and religious fractionalization.

With respect to the internal environment diversity effects, I found mostly support for my theory. In fact, in the final study, the firm-level diversity factors are the strongest predictors of the MNE's ES integration. Specifically, consistent with the premise that the presence of women in the top layers of the organization is associated with more

egalitarian decision-making which foster more proactive attention to a variety of stakeholder problems (Hillman et al., 2001), I found that BOD and TMT gender diversity positively influence the MNE's ES integration.

I also showed that when the BOD composition reflects a broader stakeholder environment the ES is more integrated with stakeholders. This finding is in line with the BOD literature which posits that, among other functions—such as to protect the shareholders by monitoring and controlling managers (agency theory), to span the organizational boundaries (resource dependence theory) and to provide legitimacy (institutional theory)—the board members have a strategic role to play (Rindova & Huse, 2001). That is, through the provision of information, advice, and access to networks, BODs can influence the ES in favor of a multitude of non-shareholder stakeholders. I did not find a significant link between the TMT functional diversity and the ES integration.

The results of the analysis based in my theory concerning the external environment diversity effects on the ES are mixed. I found that the dominance of religious fractionalization and self-expression in the MNE's home country positively influences the effects of TMT gender diversity on the ES integration. This means that MNEs originating in societies where democracy and diversity are embraced may be better able to take advantage of and encourage unique contributions of generally underrepresented groups such as females in the upper echelons. At the same time, however, the influence of the religious fractionalization on the relationship between BOD gender diversity and the ES integration is not positive. The influences on the other relationships were insignificant.

LIMITATIONS

To conduct the present investigation, I made a number of tradeoffs that have to be taken into consideration in future studies. The data source for the ES is stakeholder letters in GRI reports. This limited my work in two ways. First, my sample frame consisted of MNEs that issue GRI reports. Although many MNEs publish sustainability reports, they are not in line with the GRI guidelines and were left out of my analysis. I chose the GRI reports because they are based on uniform guidelines that all firms in my sample follow. This allowed me to systematically compare these firms' enterprise strategies.

Second, based on previous studies that have used letters to shareholders from annual reports to assess a firm's strategy, I used only the letters to stakeholders in GRI reports. The entire GRI report is a richer source of information on the company's stakeholder engagement. I believe, however, that my effort could map future advance in our understanding and measure of the ES based on a combination of primary sources of data and the entire GRI report, which will allow us to triangulate the data.

Since no previously-developed comprehensive measure of the ES construct exists, I looked for sources that can inform me about the firm's strategies concerning their stakeholders and can also allow for the systematic comparison of the firms in my sample. The Global Reporting Initiative reports are the only source that (based on uniform guidelines concerning the reporting of financial and non-financial information) allows such comparison. This limits the generalizability of my findings.

In addition, although the ES of the MNEs vary within and among sectors, the emerging enterprise strategies were constructed relative to one another and therefore are a function of the present sample. Finally, the results might be affected by the poor representation of firms from some countries at the expense of the US-based MNEs which comprise a quarter of my sample. Therefore, the findings may be largely driven by circumstances of the US-based multinational firms.

Nevertheless, there are very few empirical studies in the area of the ES, making the continuous examination of this construct and its antecedents and outcomes a valuable research subject. The most urgent need in this respect (if we are to advance research in the area of the ES) is to identify ways to further and more precisely measure it.

CONCLUSIONS

In this dissertation, I explored multi-level identity orientation and diversity antecedents of the ES. I also investigated the nature of the ES. Specifically, I developed a valid and reliable measure of this construct to be used in the advancement of our understanding of how and why the firm integrates with its stakeholder environment and what the chosen level of integration leads to. Overall, this dissertation offers multi-level explanations of the ES rooted in the characteristics of the MNE's top-level decision-makers, the home-country political culture, and the host-country institutional make-up.

In the first essay, I suggested that there is a link between the organization's identity orientation (Brickson, 2007) and the scope and type of the ES. That link is defined by the common questions of identity and legitimacy that both concepts address. Whether the leaders of an organization define that organization as independent from stakeholders or "dyadically" related to stakeholders, they are likely to adopt an ES which reflects that definition.

At the same time, however, I also suggested that organizational identity orientations are not developed and maintained independently from the firm's institutional environment. MNEs represent a particularly interesting context in which the ES phenomenon can be investigated, because they operate in multiple institutional environments. I addressed that complexity by examining the MNE's response via the ES to the interaction between the MNE's organizational identity orientation developed at home and the institutional identity orientation offered by the MNE's host country.

This essay marks a multi-level identity orientation explanation of the ES which suggests that the organizational identity orientation of MNEs will adjust to the institutional identity orientation offered by the host-country to which the MNE moves important resources and committed effort. Particularly, I proposed that MNEs with an individualistic organizational identity orientation will be prone to the development of a Narrow Defensive ES; however, they will adjust it to a Narrow Offensive (as they shift to CMEs) and to a Broad Defensive (as they move to SLMEs). This ES will serve such MNEs well in LMEs. MNEs with a relational organizational identity orientation, on the other hand, will be likely to adopt a Narrow Offensive ES. They will retain this ES as they shift to LMEs and CMEs; however, they will adjust their ES to a Broad Offensive in

SLMEs. Finally, MNEs with a collectivistic identity orientation will be likely to prefer a Broad Defensive ES, which will serve them well in SLMEs and LMEs, but which they will adjust to a Broad Offensive as they move to a CME.

Subsequently, using the two theoretically-suggested dimensions of the ES—scope and type—in the second essay, I conducted a text-based analysis of stakeholder letters by senior managers and demonstrated that they contain a language which reflects those dimensions. Based on that, I constructed a dictionary to assess the ES. Additionally, I found that the ES dimensions form a variety of ES configurations which broadly align with four ideal types of Meznar et al. (1991).

The last essay is an investigation of the multi-level diversity effects on the ES integration. At the firm level, I tested the effects of BOD and TMT gender diversity and found a significant and positive link with the ES integration. In parallel to that, the BOD stakeholder representation also positively influences the ES integration; however, the TMT functional diversity has no significant effect on the dependent variable. At the home-county level the religious fractionalization and level of self-expression (which taken together, form the political culture of that country) positively augment the effects of TMT gender diversity on the ES integration, but have no significant moderating effect on any of the other relationships studied.

Multi-level explanations of the firm's integration with society are much-needed, especially in cases (like MNEs) when the stakeholder relationships are difficult to discern (Kraaz & Block, 2008) and where historically a debate exists about whether such relationships are determined at the firm-level (by the executives of the organization) or they are prescribed by the institutional environment (Crilly & Sloan, 2012). Overall, cross-paradigm linkages which are grounded in two similar- but different-level ontologies (as those suggested in the models of the first and the third essay of this dissertation) have a greater potential to further our knowledge about stakeholder management than if we were to examine stakeholder management taking each ontology individually.

As a result, this dissertation stands to make a number of contributions. In the first essay I suggest one possible resolution to the above-mentioned debate by developing an integrative model in which I link the concept of ES (and one of its firm-level determinants) to the VoC literature. By doing that, I sought an expansion of the ES

concept that serves as a bridge to two literatures—one firm-level and the other macro-level. My goal was to demonstrate that the ES of the MNE (which reflects the MNE's type and scope of relationships with its stakeholders) is neither solely a firm-level phenomenon, nor a country-specific outcome. Instead, it is a combination of both, and future empirical cross-country research should take this into consideration.

Also, the examination of identity as an important organizational attribute that shapes responses to institutional complexities via the organizational strategy is largely an understudied (but important) area of inquiry (Greenwood et al., 2011:317). We know that organizational identities are unique to each firm (Alber & Whetten,1985). Theoretically, however, a very limited set of ES categories has been suggested. This discrepancy in available options diminishes our ability to examine the direct effects of identity on the ES. However, the theory concerning the multi-level effects of the identity orientation on the ES developed in this dissertation allows us to systematically examine how identity influences firm-stakeholder relations, regardless of the type and multitude of identities that a given firm can hold (Brickson, 2005, 2007).

Further, the notion of identity orientations suggests that some firms are more self-interested than others. For example, firms with individualistic orientations are more self-interested than firms with relational and collectivistic identity orientations. In the same frame of reference, I provided explanations of firms' strategic choices that are not motivated by opportunism only, but that can also be defined by the care for others—an issue that Brickson (2007) briefly touched upon. By fleshing out the influences on the ES of the organizational and institutional orientations, I distinguished between firms that make financial stakeholder contributions in response to stakeholder dissatisfaction regarding previous costs inflicted on the stakeholders by those firms (e.g., BP spilling oil and trying to portray itself as a sustainable company by investing in environmental projects) from firms who engage in corporate philanthropy because they consistently support a given cause (e.g., Patagonia's committed donations to environmental projects in the past 20 years). Although both situations involve firm capital outflows, the first case represents the category of a Defensive ES, whereas the second concerns an Offensive ES. Because of that distinction, I believe that the models offered in this dissertation provide some valuable opportunities for the integration of two conflicting views on the behavior

and motivation of the firm—the firm as a self-interested actor (agency theory) and the firm as a steward (stewardship theory).

Also, at the macro-level, I look at the effects of the MNE's home- and host- country institutions on the ES. I suggest a comparative institutional perspective of stakeholder management. In the CSR literature, Campbell (2007) noted that not enough attention is given to "whether institutional conditions affect the tendency for firms to behave in a socially-responsible way" (p.948). In response to that, he provided an institutional theory of CSR. My approach markedly differs from Campbell's in two primary areas. First, I adopt the comparative institutionalism lens to examine the effects of institutions on the ES for comparison purposes and because this institutional approach to understanding firm behavior is based on the institutional prescriptions concerning the combined interaction of various actors in a given nation. Although field-level institutional forces can influence the firm's social behavior (e.g., the likelihood that the firm will engage in philanthropic giving may be affected by regulatory incentives offered for corporate giving), I was interested in the adoption of a framework in which the social and economic performance of the firm are integrated. Because comparative institutionalism deals with the coordination of the actions of both economic and non-economic actors, it was the preferred institutional framework for my endeavor.

As to the institutional complexity characterizing "plural institutional logics" (Greenwood et al., 2011:317), with some exceptions (i.e., Miller, Le Breton-Miller, & Lester, 2010; Greenwood, Diza, Li, & Lorenete, 2010), the literature has strong field- and organizational-level foci, for which there is a comprehensive justification. For example, the institutional complexity arising as a result of firms operating in multiple national environments was explicated in a study by Kostova and Zaheer (1999) in which the authors utilized a Scott's-type (1995) of institutional approach to theorize about the effects of multiple regulatory, cognitive, and normative institutional influences. The analysis of the "multiplicity of the institutional pressures" (Kostova & Roth, 2002:216) in which MNEs operate is founded on the notion of "a country's institutional profile"—the set of regulatory, cognitive, and normative institutions established in a country (Kostova, 1997:180). According to this idea, however, institutions are "issue-specific," (Kostova, 1997:180). Therefore, the institutional characteristics of a country should be evaluated in

the context of a specific phenomenon (e.g., "quality management" as in the case of Kostova [1997]).

Although critical to the understanding of the firm-effects of institutions, the recognition of the domain-specific character of institutions is largely missing from the literature. Instead, the regulatory, cognitive, and normative specifications of a country continue to be used at a national as opposed to field level. Specifically, outside of a particular domain the neo-institutionalism approach provides an inadequate framework for the investigation of institutional influences, because at a higher level of aggregation it is difficult to identify and segregate the relevant regulative, normative, and cultural-cognitive institutional elements (Hotho, 2009). Therefore, neo-institutional measures may be suitable when examining issues like legitimacy and transferability of specific organizational practices (for example, corporate social responsibility practices in a given MNE subsidiary); yet, when it comes to the ES, which concerns the entire firm, other approaches may be preferred.

Based on the above, the adoption of a firm-centered approach to institutionalism (Whitley, 2007), [such as the comparative institutionalism approach outlined first in the varieties of capitalism (VoC) literature (Hall & Soskice, 2001)] better serves the institutional analysis in the context of the ES of MNEs. From a VoC perspective, the legitimacy that the ES aims for concerns the degree to which an MNE fits the coordination among the primary national-level institutions outlined in the VoC—the degree of market coordination, the strength of industrial relations, the market for corporate governances, the strength of the inter-firm relations, and the national CSR orientation. This approach departs from the legitimacy pursued in response to "the [domain-specific] pressure to adopt local practices and become isomorphic with the local institutional context" (Kostova & Roth, 2002:215), thereby overcoming the limitations of the issues-specific legitimacy of the neo-institutionalism perspective.

Despite its extensive and ongoing empirical base, the diversity research can also benefit from the present work. More specifically, my investigation showed that the literature concerning the effects of diversity in upper echelons on stakeholder outcomes is sparse (see Appendix 5) and that the focus is primarily on two outcomes—corporate philanthropy and corporate social performance. In contrast, I utilized a more holistic

dependent variable which can help us develop a deeper understanding of a company's stakeholder relationships and long-term performance. Additionally, the effects of TMT diversity on stakeholder outcomes are almost unstudied, and a meager 10% of previous research in this area I identified incorporates a multination firm sample. Therefore, I contribute to this literature by offering a multinational context in which I explore the research questions.

Although the ES is a value-laden concept, the exploration of the ES integration of MNEs reflects a view of the stakeholder engagement which is not grounded in some form of a moral obligation that the organization is supposed to have, but in one that emanates from the firm's need to manage its complex stakeholder environment effectively. In fact, the dormancy of the research in the ES is largely due to this "normative flavor" attributed to the ES research (Crilly, 2013:1247). The ES measure developed in this dissertation represents the first rigorous attempt to assess the ES construct. This measure differentiates the ES from other value-laden concepts such as CSR and business ethics. It positions the ES as a construct of its own and offers a platform for more vigorous research linking ES knowledge to the corporate and business strategies of the firm that Crilly (2013) encouraged.

Undoubtedly, there are numerous benefits for management scholars and practitioners alike from research that draws on core domains in strategy—one such being the ES (Crilly, 2013). In relation to this, I believe that my effort can advance the research concerning the boundaries of the multinational enterprise and the understanding of what makes MNEs different vis-à-vis their stakeholders. The present work can inform scholars and managers alike of MNEs regarding some of the mechanisms by which their organizations can better integrate with society. For example, two of the mechanisms suggested here include the construction of diverse TMTs and BODs and the selection of countries to enter which have an institutional environment characterizing a type of coordination among economic and non-economic actors that is compatible with the organization's identity orientation.

As the ultimate overarching organizational strategy, which demands the intentional attempt of a firm's leaders to define their organization's linkages with and roles in society, the ES could have irreversible effects on a firm's potential for success, growth,

and competitiveness in an increasingly complex environment. This is why, in my view, understanding the effects on and of the ES should be of a high priority. An ES measure, however, is pressingly needed for both the theoretical and empirical advancement of this concept and its relationship with other constructs. At the heart of this dissertation lies a response to this need.

Much work in the area of ES, however, remains to be done. I see a number of ways forward. First, we need to better understand what the ES really is as we further our knowledge of its causes and effects. There are many sources of information that can improve our ES knowledge, including mission and vision statements, broader value orientation, and codes of conduct/ethics, actual ethical conduct, committees on social audits, corporate philanthropy, and partnerships and alliances (Steyn & Niemann, 2010). However, well-established reliable and valid mechanisms by which we can systematically analyze and compare the ES of various firms are missing. This dissertation offers an initial tool that can be used in qualitative and mixed techniques (which combine perceptive and archival sources of longitudinal data) to study the ES construct.

For example, perceptual methods can be developed, based on the approach of measuring the strategic orientation of the firm proposed by Miles and Snow (1978). Similar to Shortell and Zajac (1990), four scenarios can be cast, each corresponding to one of four types of ES—Narrow Defensive, Narrow Offensive, Broad Defensive, and Broad Offensive. Then, based on those scenarios, CEOs and other executives can be asked to rate their organizations on a scale of 1 (Narrow Defensive ES) to 7 (Broad Offensive). Publicly-available archival sources of data on the ES include, but are not limited to, sustainability report databases such as the GRI initiative and Corporateregister.com, annual reports, and company websites and corporate literature. Information on a company's stakeholder lawsuits, environmental fines, and other stakeholder issues discussed in the popular press may also inform our understanding of the ES.

In addition, I think that assessing the varieties and longevity of ES strategies within each ES category (e.g., Narrow Defensive, Broad Offensive, etc.) merits a lot of attention. As the overarching strategy of the organization which reflects the long-term relationship with society, the ES should be fairly stable. At the same time however, we

know very little about the content and virtually nothing about the stability of the ES. This line of research requires a longitudinal investigation.

With respect to the country-level ES antecedents, in this dissertation I looked separately at the home-country and host-country effects. Specifically, in the first essay, I conceptualize the effects of the host-country's institutions on the MNE's ES, once the effects of the home-country institutions have crystallized in a given organizational identity orientation. On the contrary, in the third essay, I explore the home-country moderating effects on the ES integration. Of particular interest can be studies that explore the combined effects of home- and host-country institutions on the characteristics of the ES.

Further examination of contextual factors which can affect a firm's focus on a particular set of stakeholders is much needed. For example, in the VoC approach, Hall and Soskice (2001) show that countries with coordinated market economies (e.g., Germany) tend to focus on the long-term care for their employees and the establishment of a strong reputation within their powerful business associations. In contrast, countries with liberal market economies (e.g., the United States) characterize short-term employment and weak business associations. Therefore, they have no incentive to invest in the development of firm-specific skills in their employees. In addition, the collaboration among competitors in the development and transfer of technology—something rarely observed in liberal market economies—is common in coordinated market economies. Differences in such behaviors according to the VoC are influenced by the institutional complementarities—the manner in which a change in one institution affects another—defining a given territory. Furthermore, there are strategic effects on the business organization of the social responsibility orientation of the nation in which a firm operates (Gond et al., 2011). More specifically, governments may not only passively deter firms from certain actions but can also incentivize corporations to proactively be socially responsible (Gond et al., 2011) and, in that way, to reward shareholders as a result of the responsible behavior of the corporation. Based on such a discrepancy, I recommend an empirical investigation into the effects of the institutional complementarities on the ES.

Additionally, I suggested the construct of institutional identity orientation to capture the institutional landscape of a country in relation to stakeholder management. Conceptually, this construct parallels the construct of a "country institutional profile" developed by Kostova (1997) based on a neo-institutional knowledge (Scott, 1995); however, for reasons explicated earlier, I did not adopt this approach to institutionalism. One of the premises of Scott's (1995) institutionalism is that the regulative, normative, and cognitive institutional pillars are independent from each other. Hirsch (1997:1709) argued that this "seriously weakens" such a typology, suggesting that those pillars overlap and influence each other (Hoffman, 1999). Nevertheless, studies utilizing neo-institutionalism continue to examine the individual effects of each one of those pillars on some examined relationships.

In contrast, comparative institutionalism is founded on the interactions among institutions (Hall & Soskice, 2001) and assesses the combined effect of those institutions on firm behavior. Because of that, I believe that country institutional profiles can benefit from the conceptual refinement suggested by the construct of institutional identity orientations. Therefore, future studies in this area can empirically develop the construct of institutional identity orientation, which is based on comparative institutionalism. As this approach involves the coordinating mechanisms among a variety of economic and social actors, the institutional identity orientation construct can be particularly influential in the advancement of the study of stakeholder management.

As to the firm-level determinants of the ES, the research opportunities are bounded only by theory. Three of the predictor variables—TMT gender diversity, BOD gender diversity, and BOD stakeholder representation—may result from as well as cause the ES. I was prompted to adopt a lag structure to address the issues of causality. Nevertheless, I explored a one-year lag only. A longitudinal analysis of the relationships examined in this study can clarify further how the ES is shaped. Examples of firm-level predictors that are outside of the scope of this dissertation (but that may be linked to the ES) include, among others, the resources and capabilities of the firm, the level of managerial discretion, and firm structure, reputation, and visibility.

Next, I propose that the composition of the BODs and TMTs, beyond that explored in the present dissertation, can have direct implications for the type of ES pursued. The ES

represents organizations on a continuum between having a very narrow focus on and investing very little in stakeholders to having a broad interest in and being very generous towards their external environment. An interesting area of investigation concerning this can address the issue of how the effectiveness with which the board of directors oversees the decisions and actions of the top management concerning stakeholders as a whole portrays the ES. Furthermore, the degree to which the variety of stakeholders' representation in the upper echelons is mandated to allow stakeholders to better oversee managerial decisions may also affect the ES. For example, unlike their US counterparts, German firms tend to have some strong stakeholder representation by having some major customers, employees, and suppliers on the board of directors. Such is often mandated due to the influence of the unions. As a result, CEOs are constrained from making unilateral decisions concerning their organization (Amable, 2003).

The identity literature could also be used as a stepping stone to understanding the ES. In the first essay, I theorized about the effects on the ES of the construct of the organizational identity orientation, which reflects the way a firm conceptualizes itself vis-à-vis its stakeholders (Brickson, 2007). An empirical examination testing the proposed effects of the identity orientation on the ES scope and type is warranted.

Additionally, although Brickson (2000) suggested that the identity orientation of individuals is influenced by organizational context factors (such as the organizational structure, task structure, and reward structure), the organizational context may be influenced by the identity orientation of the organization as it is perceived by those at the highest level of the organization who make strategic decisions. Therefore, on a firm-level analysis, I suggest an explicit investigation into the matter of how the organizational identity orientations at the top affect the individual identity orientations at the bottom of the organization and what the implications are for the ES of the organization.

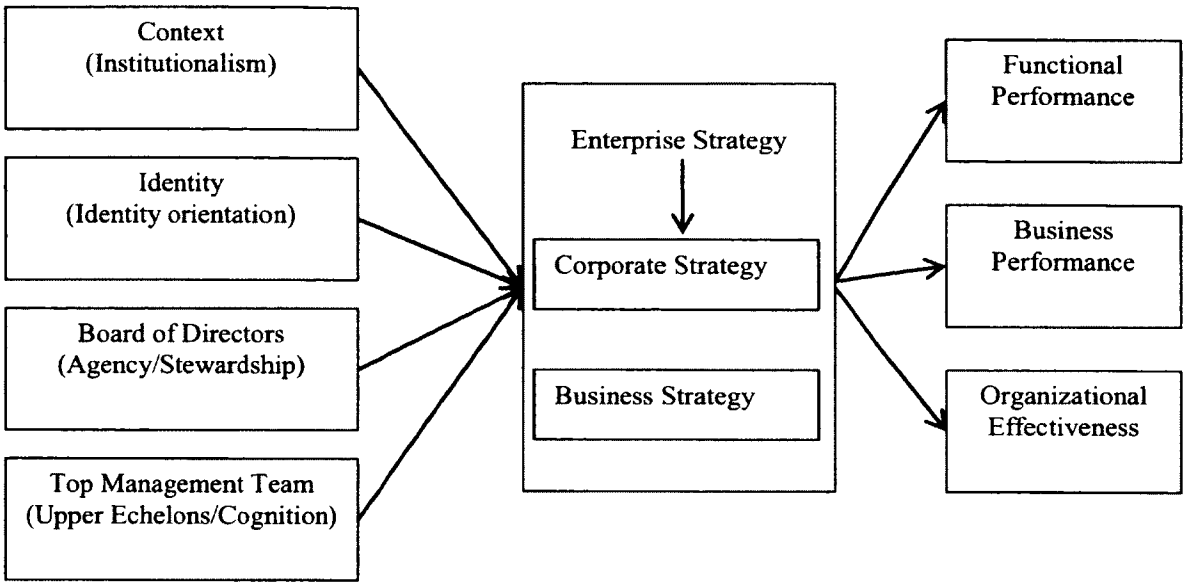
On a related note, I provided a precise understanding of stakeholder management, which is based on more than just a categorical variable of shareholder vs. stakeholder-oriented. This sets the groundwork for future research at both micro- and macro-levels. On a firm-level, future studies can empirically address the issue of the mechanisms by which the organizational identity orientations of executives of firms operating in similar external environments lead to the adoption of different strategic approaches to

stakeholder management and subsequent variations in their social and economic outcomes.

If every firm has an ES (Steyn & Niemann, 2010) and the ES is a product of decisions made at the top of the organization, the lack of studies linking the upper echelons literature to ES is perplexing. This omission alone can open up numerous opportunities for empirical and conceptualization investigation concerning the stakeholder mechanisms by which the values and cognitive schemas of upper echelons influence the organizational effectiveness. Moreover, the firm's ES operates at the highest level of the organization where questions such as purpose, value, and ethics are addressed (Freeman, 2004) and all other strategies are nested (Schendel & Hofer, 1979). Ultimately, if the ES deserves a place in the strategic management literature, we need to understand its relationship to all other organizational strategies and the firm's bottom line. Performance improvements are central to the field of strategic management, because the ultimate time test for the effectiveness of any strategy is its impact on a firm's performance (Schendel & Hofer, 1978). To that end, I think that research on the effects of the ES on firm functional performance, business performance, and organizational effectiveness (Venkatraman & Ramanujam, 1986) will be critical to the advancement of the ES.

To summarize the way forward, one stream of ES research can focus on the contextual- and firm-level factors which affect the choice of an ES. Another could examine the organizational outcomes of the ES after controlling for the contextual- and firm-level factors. Yet a third stream could explore some intermediate organizational issues concerning a firm's expansion, structure, and boundaries. The link between the ES and the core intermediate organizational issues is detailed in Crilly (2013). Consequently, the ES research agenda I suggested here focuses on the other two streams. Figure 5 summarizes some of the key suggestions for future research outlined above.

Figure 5. Areas for Future Research in the Domain of the Enterprise Strategy



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APPENDICES

APPENDIX 1: SOME NOTABLE MENTIONS OF THE ENTERPRISE STRATEGY (ES)

Author[1] (Year)	Title	Type	Brief description	ES definition	Measure
Ansoff (1965/ 1979)	Corporate strategy/The changing shape of the strategic problem (in Schendel & Hofer, 1979)	B*	The author demonstrates that the strategic problems facing organizations during the last quarter of the 20th century are far more numerous, turbulent, and interconnected than those of the 1950s and 1960s. This is the context in which the ES is discussed.	A level of strategy which identifies the relationship of the firm with society. In part, it represents the moral or ethical component to strategic management.	N/A
Schendel & Hofer (1979)	Strategic management: A new view of business policy and planning	B	The authors discuss the increasing societal demand which leads to the need for a ES in order to explicitly articulate the firm's relationship with society. Such over-arching strategy will guide the corporate strategy and will allow firms to account for their responsibilities to the larger society when making economic decisions.	The strategy, which directly addresses the relationship of an organization with society.	N/A
Freeman (1984)	Strategic Management: A Stakeholder Approach	B	Part of the book is dedicated on the first attempt at developing an ES typology. Pages 85-107 contain this discussion.	ES constitutes the answer to the question "What do we stand for?" At this level strategy, the task of setting direction involves understanding the role of a particular firm as a whole, and its relationships to other social institutions.	N/A
Freeman & Gilbert. (1988)	Corporate Strategy and the Search for Ethics	B	Building on Freeman (1984), the authors elaborate on the ES definition and typology. The discussion is provided in page 70-86.	ES denotes the conjunction of ethical and strategic thinking. It is a "raison d'être" for the firm, a way of conceptualizing the enterprise as a whole rather than as a group of discrete entities.	N/A
Meznar, Chrisma & Carroll (1991)	Social responsibility and strategic management: Toward an ES classification	C	This paper delineates the domains of the ES, suggesting that it has 2 dimensions (scope and type) and offering 6 types of ideal ES based on the stakeholders executives attend to and the benefits they offer to those stakeholders.	How the firm attempts to add value to its stakeholders in order to legitimize its existence and ensure its future.	N/A

Judge & Krishnan (1994)	An empirical investigation of the scope of a firm's ES	E	This article examines the scope of a firm's ES. The author find that prior profitability and several of the firm's grand strategies are correlated with ES scope and the environmental munificence has a curvilinear relationship with ES.	ES reflects the relationship of the organization with society.	ES scope measured via content analysis of 142 Business week articles on corporate strategy over a period of 3 years. Four groups of primary stakeholders are addressed (owners, customers, employees, & community). If a stakeholder was pleased with the firm in some fashion, a rater awarded a 1 to that stakeholder group. No mention=0 and clear stakeholder dissatisfaction=-1.
Judge & Fowler. (1994)	A configurational approach to the ES scope: An upper echelons perspective	E	This article examines the correlates of ES scope considering the environmental and organizational context, managerial characteristics, and the financial performance of the firm. The authors find support for ES strategy configurations.	ES scope is the range of stakeholder satisfaction achieved by the firm.	The authors utilize the technique in Judge & Krishnan (1994)--see above.
Meznar & Nigh. (1995)	Buffer or Bridge? Environmental and organizational determinants of public affairs activities in American firms	E	The ES is used as one of the independent variables in this study. Specifically, the authors found that a collaborative ES philosophy on the part of a firm's top management is a strong predictor of bridging activities--actions aimed at ensuring conformance with the firm's external environment.	The top management's orientation toward a firm's role in society.	2 indicators are used--emphasis on collaboration (assessed by examining the latest two annual president's letters to shareholders from the annual reports) and the second measure is called social initiative philosophy and was captured using a questionnaire item.

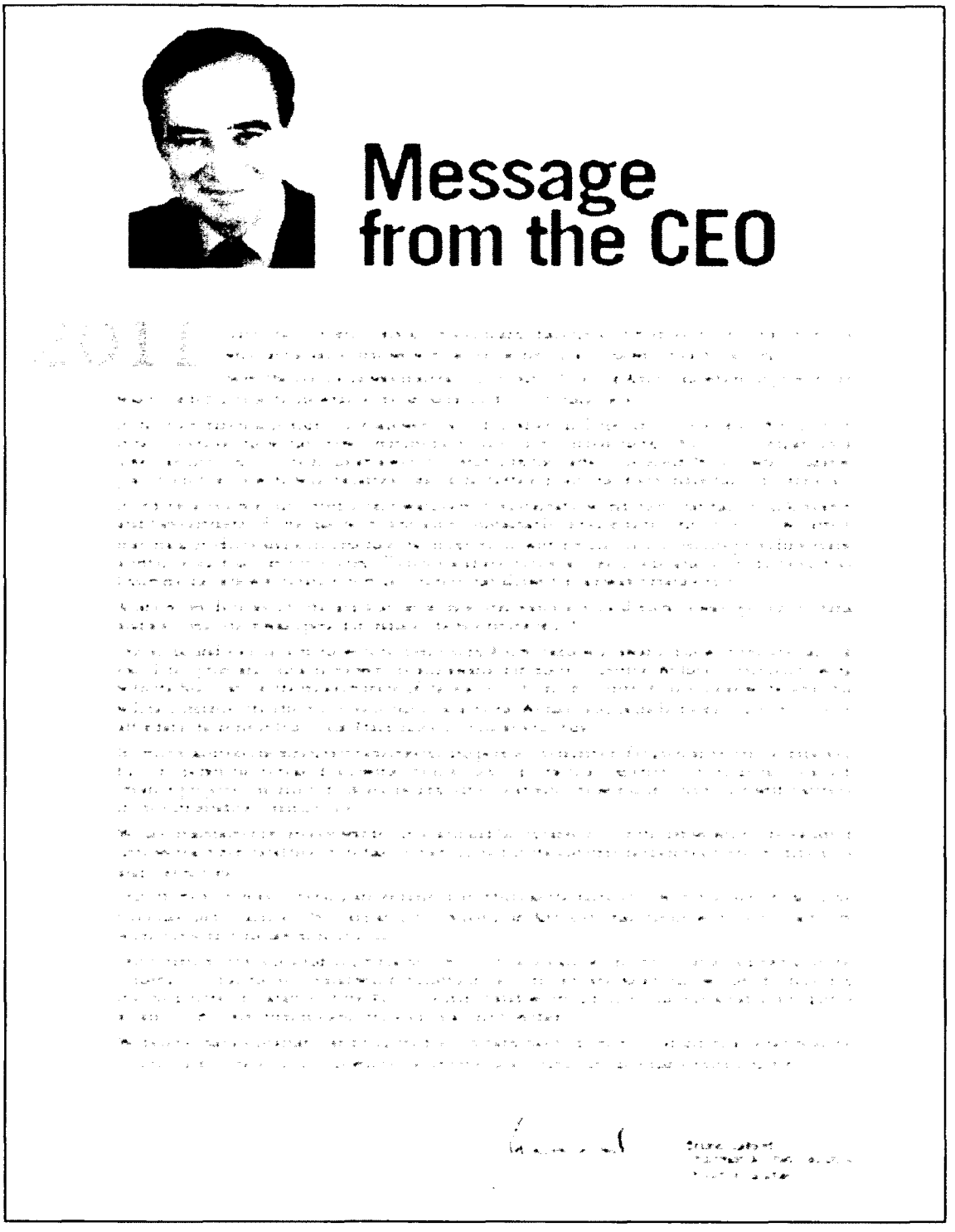
Hemphill (1996)	ES and corporate environmental alliance	C	Discusses how the ES of the enterprise can be used in the Public Affairs and what the implications of the creation of environmental alliances to that are.	It is concerned with questions of governance, legitimacy, and corporate public policy activities that integrate the firm with its broader external environment. Therefore, ES encompasses the firm's social legitimacy or its social strategy	N/A
Stead & Stead (2000)	Eco-ES: Standing for sustainability	C	The authors extend the ES concept to the ecological level of analysis to provide a sound theoretical framework for ethically and strategically counting for the ultimate stakeholder, planet Earth.	This strategy is similar to that described in Freeman & Gilbert (1988), however, its ethical foundation goes beyond the human community to address environmental issues.	N/A
Hillman, Keim, & Luce (2001)	Board composition and stakeholder performance: Do stakeholder directors make a difference?	E	The article links the board composition and ES outcomes, stakeholder relationships. It tests whether stakeholder board of directors (suppliers, customers, employees, and the community) reflect a positive stakeholder performance.	The ES is set at the highest level of the organization. It is about the stakeholder relationships as part of the effort of the organization to integrate with its broader social environment.	The authors do not measure the ES, but use it for a theoretical support of their arguments. They focus on stakeholder performance and measure it using KLD data.
Freeman (2004)	The Stakeholder Approach Revisited	C	The article revisits the stakeholder management approach developed in "Strategic Management: A Stakeholder Approach" (Freeman, 1984). The author reminds of the meaning and role of the ES concurring that nobody really took the ES typology of 1984 seriously.	The ES describes the relationship between the firm and society by asking the question "What do we stand for?" It concerns questions of purpose, value, and ethics, among others.	N/A
Steyn & Niemann (2008)	Institutionalizing the strategic role of corporate communication/PR through it contribution to ES and enterprise governance	C/E	The paper explores the concept of ES. It also examines the role of corporate communication/PR strategy to ES development and the relationship between ES, corporate governance and the strategic role of corporate communications.	The ES is a mechanism for incorporating societal expectations, values, norms and standards into organization's strategic decision making processes.	The authors conduct a qualitative analysis of websites of 58 companies listed on the Social Responsibility Investment Index of the Johannesburg Securities Exchange) in 2006, to identify

					categories of companies' expressions or positions stated on their websites that could be construed as the constructs in ES development.
Steyn & Niemann (2010)	ES: A concept that explicates corporate communication's strategic contribution at the macro-organizational level	C	The paper seeks to explicate the strategic contribution of the corporate communication/public relations function (PR) to ES development at macro-organizational level with the aim of contributing towards its institutionalization. This piece does an excellent job of characterizing the ES.	The ES is the broadest, overarching level of strategy, and addresses the political and social legitimacy of an organization. It is also known as the "societal role strategy."	N/A
Crilly & Sloan (2012)	Enterprise logic: Explaining corporate attention to stakeholders from the "inside-out"	E	In this study, the authors go inside the firm and investigate the role of managerial cognition on corporate attention to stakeholders. They find that top managers' enterprise logic prompts distinct foci of attention and potentially constrains how well a single firm can simultaneously attend to multiple stakeholders.	Enterprise logic refers to the top management's conceptualization of the firm's relationship with society.	The authors create cognitive maps in order to assess managerial enterprise logic.
Crilly. (2013)	Recasting ES: Toward stakeholder research that matters to general managers	C	This theoretical piece discusses the dormant state of research concerning the ES and paves the way for future research in the ES concerning organizational strategic goals, design, boundaries, and performance.	Es articulates how the firm engages with actors in its economic, social, and political environment to ensure long-term corporate performance.	N/A

*B=Book; C=conceptual paper; E=empirical paper;

[1] Full references are provided in the reference list at the end of this document.

APPENDIX 2: A SAMPLE STAKEHOLDER LETTER



Source: Lafagre's 2011 GRI report

APPENDIX 3A: SAMPLE CONCORDANCES FOR THE ES TYPE ANALYSIS: DEFENSIVE COMPONENT

Type	Concordances			Theme
Social	Improving energy efficiency has an important role in any comprehensive greenhouse gas	**abatement**	strategy and our businesses continue to progress energy efficiency plans	Preserving the environment
	We are deeply committed to safe and	**efficient**	operations and to conducting our business in an environmentally sound manner	
	We improved our environmental performance in 2011 by	**lowering**	overall emissions	
	In Australia alone we have set aside some 9,612 hectares for biodiversity offset areas preserving dedicated areas for conservation and we continue to be committed to	**avoiding**	any loss of IUCN red list or endangered species at managed sites	
	We take care to consider environmental issues and ensure energy	**efficiency**	when renovating existing buildings or constructing new facilities	
	Operationally we have always been mindful about being water and energy	**efficient**	so that we do not compete unnecessarily with the local communities on scarce natural resources	
	In 2011 the Company	**reduced**	its emissions 19% and energy consumption 28% compared to the previous year	
	Reducing energy and water use	**minimizing**	waste and reducing life-cycle impacts of our products are all key objectives	
	Improving energy	**efficiency**	has an important role in any comprehensive greenhouse gas abatement strategy and our businesses continue to progress energy efficiency plans	
	In 2011 we planted 35.2 million trees implemented	**conservation**	plans for species at risk, which included active involvement in the Canadian Boreal Forest Agreement	
	We are constantly looking at ways to improve in these areas by reducing our energy and water use	**cutting**	our emissions and waste	
	As a company we are obliged to make an active contribution to the	**conservation**	of resources and the continuous improvement of society in general	
Economic	This computed to cost	**avoidance**	in excess of S $10.6 million for utilities since 2009	Reducing costs
	We expect to be able to cultivate these markets even more efficiently by	**consolidating**	the handling of export transactions	
	We will continue to weather the challenges to be faced and will use the coming year to	**consolidate**	recent acquisitions to embed the belief among all that we can produce PGM ounces safely and profitably	
	our production facilities entailed the improvement of the	**cost**	situation	

	We managed this growth while keeping costs firmly under	**control**	so that we were also able to strengthen our profitability	
	Our focus remained firmly on stringent internal cost	**controls**	effectively allocating capital and strengthening our portfolio	
	Much of this growth was due to significant improvements in internal efficiencies and stringent cost	**controls**	This process is likely to continue for some time	
	I am pleased with the progress being achieved against our group's stated 11 strategic themes which among others include	**cost**	and cash management products and services partner relationships and customer focus transformation human capital and corporate governance	
	Our focus remained firmly on stringent internal	**cost**	controls effectively redeploying capital	
	Additionally a short term target is to	**decrease**	the company's debt and to achieve a good credit rating during 2012 and 2013	
Social	The Company's safety performance improved in 2011 with our Lost Time Injury Frequency Rate	**decreasing**	by 6% while increasing our workforce by over 1500 when compared to 2010 During 2011 we provided more than 112,000 hours of fire and safety training to continue to foster an environment that targets zero injuries	Employee safety
	Implementing and maintaining critical	**controls**	is essential to delivering a safe and healthy workplace This includes the reduction and control of potential workplace occupational health exposures	
	This includes the reduction and	**control**	of potential workplace occupational health exposures to ensure we eliminate long-term harm	
	Our achievement of Australian Standard 4801 safety accreditation was particularly satisfying and recognises the efforts we have put in to	**ensuring**	safety is central to all we do We also reduced the lost-time injury rate across our business another great result	
	We recorded our best ever employee	**lost**	time injury and recordable injury rates in 2011	
	The safety and health of our people is core to every aspect of our business. Tragically we	**lost**	two colleagues at BHP Billiton controlled operations during FY2011.	
	Of particular note are the launch of our Reconciliation Action Plan a 30% reduction in	**Lost**	Time Injury Frequency	
	Our performance in general was very good during the year however I deeply regret to report that six people	**lost**	their lives while working at our operations. Safety is a primary concern and while our efforts have reduced total recordable injuries by some 84% over the past ten years.	
	This report describes our progress towards implementing the principles of the UN Global Compact and consequently Cheminova's contribution to the	**elimination**	of hunger and poverty which is a key objective of the UN Millennium Development Goals	Easing societal burden
	In all of our communities we have become real and proven contributors to environmental stewardship financing for sustainable futures poverty	**alleviation**		

APPENDIX 3B: SAMPLE CONCORDANCES FOR THE ES TYPE ANALYSIS: OFFENSIVE COMPONENT

Type	Concordances			Theme
Social	This project complements our existing support for cancer care charities across our businesses such as the ongoing partnership between Macmillan Cancer Support and Boots UK Our teams have embraced the	**initiative**	with enthusiasm and creativity organising a range of events to raise funds for the partnership	Donations and the environment
	We continue to	**invest**	both money and expertise to improve our own environmental performance	
	Reduction in power consumption by 3% and a goal to reduce an additional 1.5% by the next year 1,907 blood units	**donated**	and over 1,700 trees planted touching more than 22,892 lives globally over the past year	
	Also CPT will also	**undertake**	environmental leadership and simultaneously engage in green actions with CPT's stakeholders	
	For instance 9,740 employees worldwide volunteered in the recent past for various activities like blood donation PC	**donation**	tree planting fund raising visits to charitable institutions and more	
	We improved our environmental performance in 2011 by lowering overall emissions	**introducing**	cleaner coal technology and adding more renewable power	
	CapitaLand operates our philanthropic arm CapitaLand Hope Foundation CHF	**donated**	over S $15 million as of end 2011	
	We are committed to	**strengthening**	relationships with preferred suppliers that support quality environmental stewardship and high labor standards	
	Our Green Teams employee-led	**volunteer**	groups that educate and encourage environmentally friendly behaviors	
	to concentrate the philanthropic energies of our global base of over 54,000 employees For instance 9,740 employees worldwide	**volunteered**	in the recent past for various activities like blood donation PC donation tree planting fund raising visits to charitable institutions and more	
Economic	We have made an exciting new	**acquisition**	within the area of Indoor Lighting with the British company Designplan Lighting	Financial wealth creation
	This	**acquisition**	with a turnover of SEK 140 million strengthens our position in the UK market	
	We believe that our investment in the mining and extraction of gold will	**create**	a sound financial foundation that will allow us to share the wealth and to be catalysts for the development of sustainable communities where we operate	
	This enabled us to return a net dividend of S $1.005 per share We have	**created**	this remarkable growth through robust sales in markets such as Indochina and Oceania as well as strategic acquisitions and investments in existing and new markets	
	Delivering a 9%	**increase**	in underlying earnings and dividend per share in 2011	

	I am especially pleased with the continued strength of our order intake which	**grew**	by 13% and also with the resilience shown in reaching our profitability targets	
	Our strategy to	**grow**	both organically and through acquisitions remains unchanged	
	JBSThe aim of our new Asia strategy is to outperform the market while maintaining profitability This year we have already started to	**implement**	it. We defined six key priorities for the next five to seven years such as doubling the size of our China business gaining an industrial foothold in India and further developing our Gourmet business	
	All of us who are part of this company must take on the responsibility of	**improving**	Acindar Grupo ArcelorMittal's competitive position so as to ensure the company's sustainability In the long term In order to do this we must achieve an increase in productivity	
	This year the company decided to significantly	**invest**	in structures factory expansions the acceleration of its Gourmet business	
Social	today most of our companies have meaningful black partnerships Together we continue to	**create**	wealth and transfer knowledge	Employee diversity & development
	the Downer Diversity Committee which is made up of senior managers from across the Group and	**implementing**	a Diversity and Inclusiveness Policy Downer also introduced paid parental leave from July 2011	
	To recognize	**develop**	and enable women's potential at Agrium we expanded the Agrium Women's Leadership Group	
	We significantly reduced accident figures in our breweries and logistics operations and	**increased**	training initiatives to continue integration of the principles of the United Nations Global Compact UNGC into our business operations	
	We will	**increase**	employee care programmes that offer more opportunities to enhance their skills	
	we are bringing even more vigour to the way in which we develop our people while actively nurturing the company's distinctive and diverse culture. These	**initiatives**	together with our ongoing management development programme are important in achieving our transformation goals	
	Also our Talent through Diversity Policy was	**launched**	this year to promote and uphold our approach to diversity in the workplace	
	The next steps on our journey to 2020. We have	**created**	the new role of Chief Sustainability Officer to which we have appointed Tom Robinson who will lead the delivery of our 2020 strategy	
	I ensure that we will continue to	**implement**	and maintain high ethical standards and business practices in everything we do	LTCS*
	we recently established a Stakeholder Advisory Committee to	**provide**	guidance on our CSR program	

*LTCS=Long-term commitment to sustainability

APPENDIX 4: PROCEDURE FOR THE GENERATION OF THE ES DICTIONARY

Step	Action	Outcome
	The working ES definition used in the dictionary construction has the following components: 1. The ES is the strategy, which outlines the relationship of an organization with society. 2. It addresses the question: "What do we stand for?" 3. It has two dimensions: Scope (the environment to which the firm adds value)) and Type (the kind of value that the firms add to its environment)	
1	Utilization of Rodale's (1978) Synonym Finder and Roget's (1977) International Thesaurus to construct a list of deductively-generated words for the ES	A total of 1237 words were generated, where 334 word roots were retained as they were selected by both raters
2	Generation of an inductive word list based on a subsample of 100 letters to stakeholders of MNEs	667 words were identified initially, as possibly reflecting ES dimensions. Of these, 577 words overlapped with the deductive words, and the balance was retained for further analysis
3	Execution of an extensive concordance analysis to ensure that the words reflect components of the ES. The concordances are extractions from the text surrounding a dictionary word, which allow the reader to assess the actual context in which the word was used.	2663 concordances were examined for ES type. According to our analysis, only 4% of those concordances were not reflective of this ES dimension. 3128 concordances representing ES scope were generated. We analyzed 20% of those and found that only 1% of them did not reflect a stakeholder as defined by the ES scope dimension
4	Estimation of the inter-rater reliability on the concordance analysis to decide on the final word list to be included in the dictionary	626 concordances (i.e. 20% of all concordances) for ES scope and 2663 (100% of all concordances) for ES types were reviewed. Inter-rater reliability for the ES scope was 0.87 and that of ES type was 0.82
5	Finalization of the words to be included in the dictionary	A set of 384 dictionary entries was retained to measure the ES. Of those, 334 were deductive and 50 were inductive.

APPENDIX 5: KEY UPPER ECHELONS DIVERSITY STUDIES EXPLORING STAKEHOLDER OUTCOMES

Author	Year	Pub*	Research Questions	Summary of Relevant Hypotheses	Sig.
Wang & Coffey	1992	JBE	Do increases in outside directors' stock ownership by women and minority directors influence corporate charitable contributions?	Women and minority directors on a board will be positively related to corporate philanthropy	Y
Thomas & Simerly	1995	AM BP	What is the relationship between top managers and corporate social performance?	There will be a negative relationship between throughput oriented function backgrounds of top managers and corporate social performance	Y
Coffey & Wag	1998	JBE	Does board diversity or managerial control determine corporate philanthropy?	Diversity of BODs will be positively related to corporate philanthropy	N
				Diversity of the BODs and corporate philanthropy will not be related	N
Williams	2003	JBE	What is the relationship between the proportion of BOD women and firms' charitable giving?	The proportion of BOD women is positively related to the firm's charitable giving	Y
				The proportion of BOD women is positively related to the firm's giving to education	N
				The proportion of BOD women is positively related to the firm's giving to community service initiatives	Y
				The proportion of BOD women is positively related to the firm's giving to the arts and cultural programs	Y
				The firm's level of charitable giving to organizations that seek to influence public policy is not significantly affected by the BOD women	N
Simerly	2003	IJM	What is the relationship between TMT characteristics and corporate social performance?	There will be a significant link b/w the TMT throughput functional background and social performance.	Y
Carter	2006	JMS	When are a firm's members more likely to promote and defend its reputation?	The positive relationship between the firm's media visibility and its press releases is better the higher the member of TMT members with output functional background is	Y
				The positive relationship between the firm's consumer visibility and its mass media advertising is better the higher the number of TMT members with output functional background is	Y
Valentine & Rittenburg	2007	JBE	What is the impact of gender on ethical reasoning in two countries--Spain and America?	After controlling for individual differences, women's generalized ethical reasoning is higher than men's ethical reasoning	N
Bernardi, Bosco & Columb	2009	CRR	Is the percentage of women on boards of directors higher for Fortune 500 companies on Ethisphere Magazine's 2007 Most Ethical Companies list than the	None: Authors just explore the question of whether the companies listed in the Ethisphere Magazine's 2007 issue have more women on their BODs	Y

			percentage of women on boards of directors for Fortune 500 companies not on Ethisphere Magazine's 2007 Most Ethical Companies list?		
Bear, Rahman & Post	2010	JBE	How does the diversity of board resources and the number of women on boards affect firms' CSR ratings and how CSR ratings influence corporate reputation	The number of women board members is positively associated with CSR strength ratings	Y
Post, Rahman, & Rubow	2011	B&S	What is the relationship between firms' board of directors' composition, in terms of directors' insider/outsider status, gender, age, cultural background, educational attainment, and firms' ECSR?	Firms with three or more female directors exhibit more ECSR.	Partly
Wong,, Ormiston, & Tetlock	2011	AMJ	How do organizational and socio-cognitive factors within TMTs influence corporate social performance	TMT integrative complexity is positively related to corporate social performance	Y
Fernandez -Feijoo, Romero & Ruiz	2012	IJBSS	What is the effect of board gender composition, among other variables, on CSR reporting?	The proportion of companies with at least 3 women in the board of directors will determine (positively) the level of disclose on CSR strategy in the country	Y
				The proportion of companies with at least 3 women in the board of directors will determine (negatively) the proportion of companies issuing stand-alone reports in the country	N
				The proportion of companies with at least 3 women in the board of directors will determine (positively) the level of disclose on supply chain risk in the country (more disclosure in the supply chain risk)	Y
				The proportion of companies with at least 3 women in the board of directors will determine (positively) the levels of disclose on footprints in the country (more disclosure on footprints)	N
				The proportion of companies with at least 3 women in the board of directors will not determine the level of disclosure on business opportunities and financial value of CSR in the country	Y
				The proportion of companies with at least 3 women in the board of directors will determine (positively) the level of assurance of the sustainability reports in the country (more AS)	Y
Larkin,	2012	IJBF	Does board gender diversity increase the chances of	The corporations on CRM's (2010) list will have a higher	Y

Bernanrdi & Bosco			better firm reputation and if yes, does this lead to better performance	(lower) proportion of multiple female directors (zero or only one director) than for corporations not on this list	
				The corporations on EM's (2010) list will have a higher (lower) proportion of multiple female directors (zero or only one director) than for corporations not on this list	Y
Zhang	2012	CG	What is the impact of board demographic diversity and independence on corporate social performance?	Gender diversity of boards of directors will be positively related to CSP strength ratings and negatively related to CSP weakness rating	Y
Kimball, Palmer & Marquis	2012	SSRN	What is the link between gender composition in corporate leadership and environmental performance?	The female representation on the TMT is positively related to corporate environmental performance	Y
				The female representation on the BOD is positively related to corporate environmental performance	Y
Boulouta	2013	JBE	Whether and how female board directors may affect corporate social performance	Board gender diversity positively affects CSP	Y
				The higher the board gender diversity, the less the negative SCP practices ('concerns')	Y
				Board gender diversity has a stronger impact on the negative CSP practices ('concerns') than on the positive ones ('strengths')	Y
Zhang, Zhu & Ding	2013	JBE	What are the effects of board composition (the presence of outside directors and the presence of women directors) on CSR performance?	The proportion of women directors is related to better CSR performance within a firm's industry	Y
Marquis & Lee	2013	SMJ	What is the influence of upper echelons on corporate philanthropy and what are the effects of formal structure?	Corporations with a greater proportion of women senior managers will have higher corporate philanthropic contributions	Y
				Corporations with more women on the board will have higher corporate philanthropic contributions.	Y

* The full title of the publication is outlined in Appendix 5A

APPENDIX 5A: FULL TITLE OF THE PUBLICATIONS IN APPENDIX 5

Abbreviation	Full Journal Title
JBE	Journal of Business Ethics
AMBPP	Academy of Management Best Paper Proceedings
IJM	International Journal of Management
JMS	Journal of Management Studies
CRR	Corporate Reputation Review
B&S	Business and Society
AMJ	Academy of Management Journal
IJBSS	International Journal of Business and Social Science
IJBF	International Journal of Banking and Finance
CG	Corporate Governance
SSRN	Social Science Research Network
SMJ	Strategic Management Journal

VITA

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EDUCATION

Old Dominion University 2010 – 2014
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PhD in Business Administration
Major: Strategic Management
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Dissertation: Three Essays on the Enterprise Strategy for Multinational Firms
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Western Carolina University 2005 - 2007
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Galway, Ireland
Bachelor of Business Studies
National Diploma in Marketing

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RESEARCH INTERESTS

My research interests rest in the area of sustainable development as it applies to organizations. More particularly, I am interested in using the stakeholder management approach and the study of institutions to explore two research domains: 1) the antecedents and outcomes of corporate sustainable development and 2) the process and decisions by which issues in sustainable development are incorporated in the enterprise.

INTELECTUAL CONTRIBUTIONS

Bao, S., Fainshmidt, S., Nair, A., & Vracheva, V. 2014. Women in upper echelons of management, tenure and legal risk. ***British Journal of Management***,25(2):388-405.

Jacques, P. H., Garger, J., Thomas, M., & Vracheva, V. (2012). Effects of early leader-member exchange perceptions on academic outcomes. ***Learning Environments Research***, 15(1), 1-15.

INTELECTUAL CONTRIBUTIONS IN AN ADVANCED STAGE OF REVIEW

Jacques, P. H., Garger, J., & Vracheva, V. The role of two-source leadership and student personality on outcomes of service-learning projects. ***Journal of Behavioral and Applied Management.***

CONFERENCE PRESENTATIONS

Vracheva, V. *A "varieties of capitalism" approach to understanding the enterprise strategy of the multinational firm*, Academy of Managmenet (AOM), August 9-13, Orlando, August 9-13, 2013.

Bao, S., Fainshmidt, S. &Vracheva, V. *Presence of women in upper echelon of management and risk of lawsuits*, Southern Management Academy (SMA), Nov 9-12, 2011.

Garger, J., Vracheva, V. & Jacques, P.*Communicating leadership in online learning*, Institute for Behavioral and Applied Management (IBAM), Washington, San Diego, October 7-9, 2010.

Jacques, P.H., Garger, J. & Vracheva, V., *An assessment of the instructor & client dual leadership on student satisfaction with service-learning & perceptions of course relevancy*, Pathways to Achieving Civic Engagement (P.A.C.E) Conference, Elon, February 11, 2009.

Jacques, P. H., Garger, J. &Vracheva, V.,*The role of student personality and leadership on outcomes of college-level service learning projects*, Gulf-South Summit, New Orleans, March 25-27, 2009.

Jacques, P. H., Garger J., Thomas M., &Vracheva, V. *The effects of early Leader-Member exchange perceptions on academic outcomes*, Institute for Behavioral and Applied Management (IBAM), Washington DC, Oct 1-3, 2009.

WORKING PAPERS

Vracheva, V. & Mason, R. *The role of regulation in creating shareholder value through stakeholder management.*

Vracheva, V. & Nair, A. *The development of the field of surrogate motherhood in India.*

Vracheva, V. & Judge, W.Q. *What can we learn from the VoC literature about the enterprise strategy of multinational firms?*

Vracheva, V. & Judge, W.Q. *Multilevel antecedents and outcomes of the enterprise strategy for MNEs.*

Vracheva, V. *Content, configurations, and consistency of the enterprise strategy.*

TEACHING EXPERIENCE

Old Dominion University 2012-2014
Courses Taught: BUS 101 (Introduction to Business)
MGMT 325 (Management of Contemporary Organizations)
MGMT 485 (Strategic Management)
MGMT 462 (Contemporary International Management)

PROFESSIONAL SERVICE

Academy of Management Annual Meeting, Reviewer – 2011– Present
Southern Management Academy, Reviewer – 2013

MEMBERSHIP

Academy of Management Society
Southern Management Academy
Institute for Behavioral and Applied Psychology

HONORS AND AWARDS

2007. Award for Best Graduate Research Paper in the 15th Annual Graduate Research Symposium, WCU
2006. Wayte Scholarship for outstanding performance in the MBA program, WCU
2005. Student of the Year Award, Galway-Mayo Institute of Technology, Galway, Ireland
2005. Full scholarship for the MBA program in Western Carolina University
2004. Full tuition waver for outstanding performance in the Marketing program, GMIT, Ireland

EXPERIENCE

Old Dominion University 2010 – 2014
Research Assistant and Adjunct Instructor
Strategic Management, International Management, Principles of Management and Introduction to Business

Western Carolina University 2007 - 2010
Admissions Counselor
Reviewed the application and academic credentials and rendered the admission decision. Designed and implemented marketing and recruitment strategies for the region of Central North Carolina. Served as a liaison for the International Students Office to facilitate the recruitment and admission of international students.

Small Business and Technology Development Center 2007 - 2008
Western Regional Service Center, Forsyth College of Business
Assisted the center in developing strategic planning and marketing and financial analysis projects for existing small business clients' start-ups.

Institute for the Economy and the Future 2006 - 2007
Western Carolina University, US
Conducted research for a grant-funded Economic Development Agency (EDA) project to create business models for policymakers to assist businesses in the immediate region. Analyzed political, economic, policy, and environmental factors influencing local sustainable economic development

Moylan Co 2001 - 2003
Gort, Ireland
Managed, scheduled, trained and supervised employee team in the organization. Responsible for day-to-day operations, orders, invoicing and preparation of weekly rosters, and the provision of excellent customer service

Prosecution Department of District Court 2000 - 2001
Plovdiv, Bulgaria
Kept record of testimony and mediated communication between the team and the Department Of Justice, Foreign Affairs, and prisons. Organized and maintained the book of evidence

LANGUAGE SKILLS

Bulgarian – native
English – fluent
Russian – basic
Spanish – basic